

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

IN THE MATTER OF THE APPLICATION OF) GUNNISON ENERGY CORPORATION FOR) AN ORDER ESTABLISHING AN) APPROXIMATELY 8,444-ACRE DRILLING) AND SPACING UNIT FOR AND APPROVING) THE DRILLING OF UP TO 25 HORIZONTAL) WELLS FOR THE MANCOS FORMATION IN) SECTIONS 27, 28, 29, 30, 31, 32, 33 AND) 34, TOWNSHIP 11 SOUTH, RANGE 90) WEST, 6 th P.M. AND SECTIONS 3, 4, 5, 6, 8,) 9, 10 AND 11 OF TOWNSHIP 12 SOUTH,) RANGE 90 WEST, 6 th P.M. AND APPROVE) UP TO 25 WELLS WITHIN THE UNIT FOR) THE MANCOS FORMATION, UNNAMED) FIELD, GUNNISON COUNTY, COLORADO)	CAUSE NO. 547 DOCKET NO. 1307-SP-1118
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VERIFIED **AMENDED** APPLICATION

Gunnison Energy Corporation (the "Applicant"), through its attorneys, Bjork Lindley Little PC, respectfully submits this **AMENDED** application to the Oil and Gas Conservation Commission of the State of Colorado (the "Commission" or "COGCC") for an order establishing an approximately 8,444-acre drilling and spacing unit (South Sheep Park) for the drilling of up to 25 new **VERTICAL, DIRECTIONAL AND/OR** horizontal wells to be completed in the Mancos Formation underlying certain lands in Gunnison County, Colorado. **NEW TEXT IN THIS AMENDED APPLICATION IS SHOWN IN BOLD CAPITALIZED LETTERS. DELETED TEXT IS SHOWN WITH STRIKE-THROUGHS.**

1. The Applicant owns leasehold interests in the Mancos and other formations in the following lands located in Gunnison County, Colorado:

Township 11 South, Range 90 West, 6th P.M., Gunnison County, Colorado

Section 27: W½
Section 28: All
Section 29: All
Section 30: All
Section 31: All
Section 32: All
Section 33: All
Section 34: W½

Township 12 South, Range 90 West, 6th P.M., Gunnison County, Colorado

Section 3: All
Section 4: All
Section 5: All
Section 6: All

Section 8: All
Section 9: All
Section 10: All
Section 11: SW¼

(the "Application Lands"). A reference map identifying and depicting the Application Lands is attached as Exhibit 1.

2. The majority of the Application Lands consist of surface lands owned by the United States of America and managed by the United States Forest Service. It is an area of difficult terrain and limited roads and access.

3. Many different federal leases cover most of the Application Lands. The Applicant is an owner of an interest in federal leases in each section of the Application Lands.

4. The Application Lands are unspaced and are presently subject to COGCC Rule 318.a. This Rule provides that wells greater than 2,500 feet in depth may be drilled no closer than 600 feet to a lease or unit boundary and no closer than 1200 feet to another well producing from the same formation.

5. No orders have been issued by the COGCC for the Mancos Formation underlying the Application Lands.

6. The Proposed South Sheep Park Drilling and Spacing Unit will include lands surrounded by federal units and lands spaced or to be spaced by the COGCC.

7. As shown on Exhibit 1, the Application Lands are bordered on the west, south and east by four federal units administered by the United States Bureau of Land Management: the Iron Point Unit to the west and south, the Somerset Unit to the south, the Deadman Gulch Unit to the south and the Bull Mountain Unit to the east.

8. On May 6, 2013, the COGCC issued Order 547-1 establishing an approximately 2,240-acre drilling and spacing unit for Sections 9, 15, 16 and the N½ of 22 in Township 11 South, Range 90 West, 6th P.M. in Gunnison County, Colorado (the "Henderson DSU"). The Henderson DSU is located to the north of the Application Lands and is depicted on Exhibit 1. The Commission ordered that up to 12 new vertical or horizontal wells may be drilled to and completed in Mancos Formation within the Henderson DSU.

9. Contemporaneous with the filing of ~~THE~~ this Verified Application, the Applicant has filed another application for an order to create a separate 3,583-acre drilling and spacing unit immediately north of the Application Lands. The proposed North Sheep Park Drilling and Spacing Unit will include lands west of the Henderson DSU which are not presently within nearby federal units.

Jurisdiction and Parties

10. The Commission has jurisdiction over this matter pursuant to § 34-60-116, C.R.S. and other law.

11. The Applicant is a Delaware corporation. The Applicant is an oil and gas operator in good standing with the Commission and is otherwise authorized to do business in Colorado. The Applicant has standing pursuant to Rule 503.b. to apply for the requested relief.

12. Exhibit 2 is a list of all interested parties as defined in COGCC Rules. Exhibit 2 reflects the best information now known to the Applicant about each of these interested parties and includes the last known address reflected in county or other records for all owners of unleased mineral interests within the Application Lands.

Drilling and Spacing Unit Request

13. The Applicant requests the Commission establish a single approximately 8,844-acre drilling and spacing unit consisting of the Application Lands within which, at the option of the Applicant or other operator, up to 25 new **VERTICAL, DIRECTIONAL AND/OR** horizontal wells may be drilled with the treated intervals of the permitted ~~horizontal~~ wellbores to be no closer than 600 feet to the boundaries of the proposed drilling and spacing unit without any required setback from interior lease lines. The Commission also should order that the treated intervals of the permitted ~~horizontal~~ wellbores be no closer than 600 feet to the treated interval of another ~~horizontal~~ wellbore within the drilling and spacing unit, except as to the toes of the lateral legs of the horizontal wellbores which may abut each other (the "Proposed South Sheep Park Drilling and Spacing Unit").

14. The Mancos Formation beneath the Application Lands is thought to contain common accumulations of oil, gas or associated hydrocarbons which may be economically produced from **VERTICAL, DIRECTIONAL AND/OR** horizontal wells. Local variability may exist with respect to the formation's thickness, fractures and other characteristics. As a result, the operator should be given flexibility using available data to select the best possible well locations within the Proposed South Sheep Park Drilling and Spacing Unit, including those locations which might cross or be within 600 feet of an interior lease line.

15. The Proposed South Sheep Park Drilling and Spacing Unit is not smaller than the maximum area that can be economically and efficiently drained by the requested ~~horizontal~~ wells. To the contrary, the drilling of up to 25 **NEW VERTICAL, DIRECTIONAL AND/OR** horizontal wells with lengthy lateral producing intervals crossing and abutting interior lease lines within the Proposed South Sheep Park Drilling and Spacing Unit will permit optimal wellbore orientation, encourage effective recovery of the resource and prevent waste.

16. Including multiple sections within the Proposed South Sheep Park Drilling and Spacing Unit also will help minimize surface impact. As noted above, **MANY** lengthy horizontal wells are contemplated and this is an area of difficult terrain within lands managed for the most part by the United States Forest Service. The drilling of **VERTICAL, DIRECTIONAL AND/OR** horizontal wells within the Proposed South Sheep Park Drilling and Spacing Unit from a limited number of well pads to be approved by regulatory processes at a later time will facilitate the efficient location and operation of surface facilities. As a result, nothing in the Commission's order should dictate surface locations or address issues of operatorship.

17. For all of these reasons, entry of the relief proposed herein will facilitate the eventual communitization of the federal mineral interests, promote the efficient and effective drainage of oil, gas and associated hydrocarbons from the Application Lands, prevent waste and

protect correlative rights in a manner consistent with public health, safety and welfare, the protection of the environment and wildlife resources and the other requirements of law.

Conclusion and Request for Relief

18. The Applicant certifies that copies of this **AMENDED** application shall be served on each interested party listed in Exhibit 2 within seven days of the filing of this **AMENDED** application as provided in Commission Rule 503. An affidavit and certificate of service attesting to the mailing of the **AMENDED** application to those persons entitled to notice also shall be filed with the Commission as required by COGCC Rules.

19. The Applicant respectfully requests that this matter be set for hearing in July 2013, that notice be given as required by law, and that upon such hearing the Commission enter its order consistent with Applicant's requests and proposals as set forth above.

20. The Applicant agrees to be bound by the oral order of the Commission.

Respectfully submitted on ~~May 30~~ **JULY 2**, 2013.

BJORK LINDLEY LITTLE PC

By: 
David R. Little #13340
Bjork Lindley Little PC
1600 Stout Street, Suite 1400
Denver, CO 80202
Telephone: 303-892-1400
Facsimile: 303-892-1401
dlittle@bjorklindley.com

Applicant's Contact Information:

1801 Broadway, Suite 1200
Denver, Colorado 80202-3840

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IN THE MATTER OF THE APPLICATION OF)
GUNNISON ENERGY CORPORATION FOR)
AN ORDER ESTABLISHING AN)
APPROXIMATELY 8,444-ACRE DRILLING)
AND SPACING UNIT ~~FOR AND APPROVING~~)
~~THE DRILLING OF UP TO 25 HORIZONTAL~~)
~~WELLS FOR THE MANCOS FORMATION IN~~)
SECTIONS 27, 28, 29, 30, 31, 32, 33 AND)
34, TOWNSHIP 11 SOUTH, RANGE 90)
WEST, 6th P.M. AND SECTIONS 3, 4, 5, 6, 8,)
9, 10 AND 11 OF TOWNSHIP 12 SOUTH,)
RANGE 90 WEST, 6th P.M. **AND APPROVE**)
UP TO 25 WELLS WITHIN THE UNIT FOR)
THE MANCOS FORMATION, UNNAMED)
FIELD, GUNNISON COUNTY, COLORADO)

CAUSE NO. 547

DOCKET NO. 1307-SP-1118

VERIFICATION OF AMENDED APPLICATION

STATE OF COLORADO)
) ss.
COUNTY OF DENVER)

I, Michael P. Cleary, am employed as Vice President Operations for the Applicant, Gunnison Energy Corporation. I have read the foregoing Verified **AMENDED** Application, have personal knowledge of the facts asserted in it and hereby swear upon oath that the matters discussed in the Verified **AMENDED** Application are true and correct to the best of my knowledge, information and belief.

Name:


Michael P. Cleary

Address:

Gunnison Energy Corporation
1801 Broadway, Suite 1200
Denver, Colorado 80202

Subscribed and sworn to before me this 30th ^{2nd pg} day of May **JULY**, 2013.

Witness my hand and official seal.

My commission expires: June 30, 2015

[SEAL]



Notary Public

Exhibit 1 - Proposed South Sheep Park Spacing Unit

The map displays the following units and spacing units:

- Existing Spacing Unit:** Indicated by a dashed line boundary in the upper central portion of the map.
- Bull Mountain Unit:** Located to the east of the Existing Spacing Unit, outlined with a solid line.
- Proposed Spacing Unit:** A large central area shaded with diagonal lines, representing the new spacing unit.
- Iron Point Unit:** Located to the west of the Proposed Spacing Unit, outlined with a solid line.
- Somerset Unit:** Located to the south of the Proposed Spacing Unit, outlined with a solid line.
- Deadman Gulch Unit:** Located to the southeast of the Proposed Spacing Unit, outlined with a solid line.

Legend:







- Proposed Spacing Unit (Diagonal hatching)
- Existing Spacing Unit (Dashed line)
- Bull Mtn Unit Boundary (Solid line)
- Iron Point Unit (Solid line)
- Deadman Gulch Unit (Solid line)
- Somerset Unit (Solid line)
- Well (Star symbol)
- Forest Roads (Thick solid line)

Scale: 1 0.5 0 1 Miles

Map Information:

- Map Author:** Lee Fyock
- Gunnison County, CO T11S R90W 6E**
- Date:** May 23, 2013

Proposed South Sheep Park Spacing Unit

 Proposed Spacing Unit
 Existing Spacing Unit
 Bull Mtn Unit Boundary
 Iron Point Unit
 Deadman Gulch Unit
 Somerset Unit

Forest Roads



1 0.5 0 1 Miles

Somerset Unit

Deadman Gulch Unit



GUNNISON ENERGY CORPORATION
An Oxbow Company

Proposed South Sheep Park Spacing Unit

Map Author
Lee Fyock

Gunnison County, CO
T11S R90W 6th

Date
May 23, 2013

Amended Exhibit 2

Amended List of Persons Entitled to Receive
Notice of Application as of June 11, 2013 (1307-SP-1118)

Applicant

Gunnison Energy Corporation
1801 Broadway, Suite 1200
Denver, Colorado 80202

Applicant's Attorney

David R. Little
Bjork Lindley Little PC
1600 Stout Street, Suite 1400
Denver, CO 80202

Governments

David Baumgarten
Gunnison County
200 East Virginia
Gunnison, CO 81230

Michael Warren, Energy Liaison
Colorado Parks and Wildlife
Northwest Regional Office
711 Independent Avenue
Grand Junction, CO 81505

Kent Kuster
Oil & Gas Consultant Coordinator
Colo Dept of Public Health & Environment
4300 Cherry Creek Drive South
Denver, CO 80243-1530

BLM Colorado State Office
2850 Youngfield Street
Lakewood, CO 80215-7093

Interested Other Persons

SG Interests VII, Ltd.
100 Waugh Drive, Suite 400
Houston, TX 77007

Bar-K Ranch, Inc.
2685 Continental Drive
Grand Junction, CO 81506

James M. Laird
Sharon K. Laird
P.O. Box 1317
Glenrock, WY 82637

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DRILLING OF UP TO 25 HORIZONTAL)
WELLS FOR THE MANCOS FORMATION IN)
SECTIONS 27, 28, 29, 30, 31, 32, 33 AND)
34, TOWNSHIP 11 SOUTH, RANGE 90)
WEST, 6th P.M. AND SECTIONS 3, 4, 5, 6, 8,)
9, 10 AND 11 OF TOWNSHIP 12 SOUTH,)
RANGE 90 WEST, 6th P.M. IN GUNNISON)
COUNTY, COLORADO)

CAUSE NO. _____

DOCKET NO. _____

INTAKE NO. 17 (July 2013)

AMENDED CERTIFICATE OF SERVICE AND AFFIDAVIT OF MAILING
OF VERIFIED APPLICATION

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

David R. Little, of lawful age, being first duly sworn upon oath, states and declares:

1. On May 30, 2013, Gunnison Energy Corporation (the "Applicant") filed a Verified Application for an order establishing an approximately 8,444-acre drilling and spacing unit (South Sheep) and approving the drilling of up to 25 horizontal wells for the Mancos formation in Sections 27, 28, 29, 30, 31, 32, 33 and 34, Township 11 South, Range 90 West, 6th p.m. and Sections 3, 4, 5, 6, 8, 9, 10 and 11 of Township 12 South, Range 90 West, 6th p.m. in Gunnison County, Colorado (COGCC intake number 17).

2. The Applicant prepared a list of those persons entitled to notice of the Verified Application as required by Commission Rules 503.e, 507.b(1) and 507.b(2). This list of persons was marked as Exhibit 2 and attached to the Verified Application and the Certificate of Service and Affidavit of Mailing filed on June 5, 2013.

3. On May 31, 2013, I supervised the mailing of a copy of the Verified Application, including Exhibit 1 via first class mail, postage prepaid, to each person listed on Exhibit 2.

4. On June 10, 2013, a copy of the Verified Application mailed to James M. and Sharon K. Laird was returned undelivered. Another copy of the Verified Application was mailed to these persons at their post office box number, P.O. Box 1317, Glenrock, Wyoming 82637, on June 11, 2013. The attached Amended Exhibit 2 includes this updated address.

5. I am a shareholder with Bjork Lindley Little PC, counsel for the Applicant. I have personal knowledge of the matters discussed in this Affidavit.

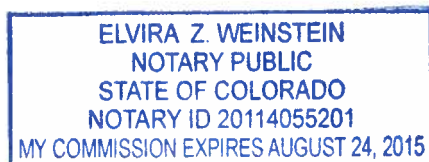
By: 
David R. Little

Subscribed and sworn to before me this 12th day of June 2013.

Witness my hand and official seal.

My commission expires:


Notary Public



Amended Exhibit 2

Amended List of Persons Entitled to Receive
Notice of Application as of June 11, 2013

Applicant

Gunnison Energy Corporation
1801 Broadway, Suite 1200
Denver, Colorado 80202

Applicant's Attorney

David R. Little
Bjork Lindley Little PC
1600 Stout Street, Suite 1400
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