

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

IN THE MATTER OF THE APPLICATION OF )	
SG INTERESTS I, LTD. FOR AN ORDER )	
POOLING ALL INTERESTS IN THE MANCOS )	Cause No.
FORMATION IN AN ESTABLISHED DRILLING )	
AND SPACING UNIT LOCATED IN SECTIONS )	Docket No.
9, 15, 16, AND 22, TOWNSHIP 11 SOUTH, )	
RANGE 90 WEST, IN GUNNISON COUNTY, )	
COLORADO )	

APPLICATION

SG Interests I, Ltd. ("Applicant"), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order pooling all interests for the development of the Mancos Formation in the following described drilling and spacing unit:

Township 11 South, Range 90 West, 6<sup>th</sup> P.M.

Section 9: All

Section 15: All

Section 16: All

Section 22: N½

Gunnison County, Colorado ("Application Lands" or "the unit").

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

1. Applicant is a Texas limited partnership duly authorized to conduct business in the State of Colorado and is an operator in good standing with the Commission.
2. Applicant is an owner of an interest in several federal leases comprising the Application Lands.
3. On May 6, 2013, the Commission approved Order No. 547-1 which established an approximate 2,240-acre drilling and spacing unit consisting of the Application Lands, and authorized up to 12 new horizontal and/or vertical wells within the unit, for the production of oil, gas and associated hydrocarbons from the Mancos Formation.
4. Pursuant to the provisions of C.R.S. § 34-60-116 (6) & (7) and Commission Rule 530, Applicant seeks an order pooling all interests in the Application Lands for the development of the Mancos Formation.
5. Applicant requests that the order be made effective as of the date that any of the costs specified in C.R.S. § 34-60-116(7)(b) (the "cost recovery statute") were first incurred for the drilling of the existing Federal 11-90-15 #1 well in the unit and committed thereto.
6. Except as provided below in paragraph 10, Applicant requests that the order make any nonconsenting interests in the unit subject to the cost recovery statute only with respect to the 12 new

horizontal wells authorized in the unit. Applicant holds an approved APD to drill the Federal 11-90-9 #3 well, the initial horizontal well in the unit.

7. Applicant has provided an offer to lease or participate, including an Authorization for Expenditure ("AFE") for the Federal 11-90-9 #3 well to the owners in the unit, and its offer to participate indicated that said AFE should be considered as a *pro forma* estimate of the costs to drill future horizontal wells.

8. Applicant has entered, or will offer to enter, into an operating agreement with the owners in the unit, whereby such owners will have the option to elect to participate in future wells pursuant to the terms of such operating agreement.

9. Should Applicant decide to drill a vertical (including directional) well or wells, Applicant acknowledges that it must provide another offer to lease or participate with respect to such wells, pursuant to Rule 530, and seek a separate Commission order to make any non-consenting interests subject to the cost recovery statute with respect to such vertical wells.

10. Applicant further requests that the Commission order in this matter to make the non-participating working interest owned by Scott Thurner in the existing Federal 11-90-15 #1 well subject to the cost recovery statute, as of the date that any of the costs specified therein were first incurred. Mr. Thurner was offered the opportunity to participate in the Federal 11-90-15 #1 well, including an AFE, prior to its being drilled.

11. Applicant certifies that copies of this Application will be served on all persons owning an 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(2), and that at least thirty (30) days prior to the hearing on this matter, each such interest owner not already leased or voluntarily pooled will be offered the opportunity to lease, or to participate in the drilling of the Federal 11-90-9 #3 well, and will be provided with the information required by Rule 530. The list of such interested parties is attached hereto as Exhibit A.

12. 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 the Mancos Formation.

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

A. Pooling all interests in the Application Lands for the development of the Mancos Formation, effective as of the date that any of the costs specified in C.R.S. § 34-60-116(7)(b) were first incurred for the drilling of the existing Federal 11-90-15 #1 well.


B. Providing that the Commission's order with respect to new horizontal wells make any non-consenting interests subject to the cost recovery provisions of C.R.S. § 34-60-116(7)(b), effective as of the date that any of the costs specified therein were first incurred for the drilling of the Federal 11-90-9 #3 well.

C. Providing that the working interest of Scott Thurner be made subject to the cost recovery provisions of C.R.S. § 34-60-116(7), effective as of the date that any of the costs specified therein were first incurred for the drilling of the existing Federal 11-90-15 #1 well.

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

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

Dated: May 30, 2013

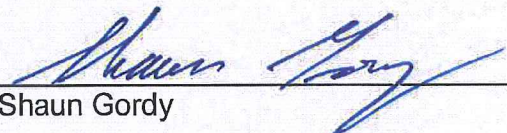
By:   
Kenneth A. Wonstolen  
Beatty & Wozniak, P.C.  
216 Sixteenth Street-Suite 1100  
Denver, CO 80202-5115

Address of Applicant  
SG Interests I, Ltd.  
Attn: Robbie Guinn  
100 Waugh, Suite 400  
Houston, Texas 77007

VERIFICATION

STATE OF TEXAS            )  
                                      ) ss.  
COUNTY OF HARRIS        )

Shaun Gordy, of lawful age, being first duly sworn upon oath, deposes and says that he is the Vice President for Gordy Oil Company, General Partner of SG Interests I, Ltd. and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

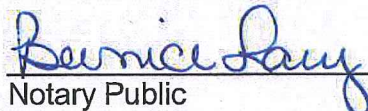
  
Shaun Gordy

Subscribed and sworn to before this 30 day of May, 2013.

Witness my hand and official seal.

My commission expires:



  
Notary Public

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

IN THE MATTER OF THE APPLICATION OF )  
SG INTERESTS I, LTD. FOR AN ORDER )  
POOLING ALL INTERESTS IN THE MANCOS )  
FORMATION IN AN ESTABLISHED )  
DRILLING AND SPACING UNIT LOCATED IN )  
SECTIONS 9, 15, 16, AND 22, TOWNSHIP 11 )  
SOUTH, RANGE 90 WEST, IN GUNNISON )  
COUNTY, COLORADO )

Cause No.

Docket No.

AFFIDAVIT OF MAILING

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

Kenneth A. Wonstolen, of lawful age, and being first duly sworn upon his oath, states and declares:

That he is the attorney for SG Interests I, Ltd, that on or before June 10, 2013, he will cause 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.



Kenneth A. Wonstolen

Subscribed and sworn to before me May 30, 2013.

Witness my hand and official seal.

My commission expires 10-04-13.



Notary Public

## Exhibit A

### Interested Parties

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

Falcon Seaboard Oil & Gas, L.P.  
109 N Post Oak Lane, Suite 540  
Houston, TX 77024

Gunnison Energy Corporation  
1801 Broadway, Suite 1200  
Denver, CO 80202-3840

Gunnison Energy Corporation  
1601 Forum Pl., Suite 1400  
West Palm Beach, FL 33401

Rock Creek Ranch I, Ltd.  
100 Waugh Drive, Suite 400  
Houston, TX 77007

Scott P. Thurner  
1441 North Mayfair Road, Suite 101  
Wauwatosa, WI 53226-3281

Doris Thurner  
1441 North Mayfair Road, Suite 101  
Wauwatosa, WI 53226-3281

Scott P. Thurner, Trustee of the Employees  
Profit Sharing Trust for Thurner Heat  
Treating Corp.  
1441 North Mayfair Road, Suite 101  
Wauwatosa, WI 53226-3281

Riviera Drilling & Exploration Company  
2491 Fountain Greens Place, Unit A2  
Grand Junction, CO 81505-8639

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