

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

IN THE MATTER OF THE APPLICATION OF
K.P. KAUFFMAN COMPANY, INC. FOR AN
ORDER TO VACATE PORTIONS OF ORDER
NO. 407-87 AND ESTABLISH AN
APPROXIMATE 320-ACRE DRILLING AND
SPACING UNIT AND APPROVE UP TO
ELEVEN (11) WELLS WITHIN THE 320-ACRE
DRILLING AND SPACING UNIT FOR THE
CODELL AND NIOBRARA FORMATIONS IN
SECTION 2, TOWNSHIP 1 NORTH, RANGE
65 WEST, 6TH P.M., WATTENBERG FIELD,
WELD COUNTY, COLORADO

Cause No.

Docket No.

APPLICATION

K.P. Kauffman Company, Inc. (Operator No. 46290) ("KPK" or "Applicant"), by and through its attorneys, Jost & Shelton Energy Group, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order to vacate portions of Order No. 407-87 and establish an approximate 320-acre drilling and spacing unit and authorize up to eleven (11) horizontal wells in the 320-acre drilling and spacing unit in order to recover the oil, gas and associated hydrocarbons from the Codell and Niobrara Formations underlying the below-described lands. In support of its Application, Applicant states and alleges as follows:

1. Applicant is a corporation duly organized and authorized to conduct business in the State of Colorado.
2. Applicant owns an approximate one-hundred percent (100%) leasehold interest in the following lands (hereafter "Application Lands"):

Township 1 North, Range 65 West, 6th P.M.
Section 2: S½

320-acres, more or less, Weld County, Colorado.

3. Due to issues arising out of Docket No. 1410-GA-06, whereby Encana Oil & Gas (USA) Inc. ("Encana") and KPK have competing Applications for Permit to Drill on the Application Lands, and in order to preserve its rights, it is necessary for KPK to file this Application. Until such time as the Commission issues a ruling on the merits of KPK's pending original Motion to Dismiss and Second Motion to Dismiss Docket No. 1410-GA-06, KPK must request the Commission establish a 320-acre drilling and spacing unit encompassing the Application Lands, where KPK holds

approximately 100% of the leasehold interest. Further, despite the validity of KPK's multiple pending Applications for Permit to Drill ("APD") filed pursuant to Rule 318A for the Application Lands (all of which passed completeness on August 1, 2014), KPK is forced to file this Application requesting the Commission establish a 320-acre drilling and spacing unit in order to defend its minerals from the unreasonable tactics proposed by Encana in Docket No. 1410-GA-06. These tactics are articulated in Encana's Second Amended Application that requests that the Commission establish a 640-acre drilling and spacing unit for the entirety of Section 2 of Application Lands and that the Commission approve its APDs that were filed (which still remain subject to KPK's timely and valid protests) after KPK's APDs were originally and properly filed for KPK's development of the Application Lands.

4. On April 27, 1998, the Commission adopted Rule 318A, 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. On December 5, 2005, Rule 318A was amended to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. On August 8, 2011, Rule 318A was again amended to, among other things, address drilling of horizontal wells but did not prohibit the establishment of drilling and spacing units within the Greater Wattenberg Area.

5. On February 19, 1992, the Commission entered Order No. 407-87 (amended August 20, 1993), which, among other things, established 80-acre drilling and spacing units for the production of oil, gas and associated hydrocarbons from the Niobrara Formation underlying certain lands, including the Application Lands, with the permitted well locations in accordance with the provisions of Order No. 407-1. Applicant is requesting that Order No. 407-87 be vacated only as it applies to the Application Lands.

6. On July 28, 2014, the Commission entered Order No. 407-1089, which, among other things, pooled all interests in an approximate 314-acre wellbore spacing unit to accommodate the Taoka KF 01-021HN Well, for the development and operation of the Niobrara Formation. Order No. 407-1089 does not affect this Application.

7. The records of the Commission reflect that no wells are currently completed to the Codell or Niobrara Formation underlying Application Lands.

8. Applicant requests that Order No. 407-87 be vacated only as it applies to the Application Lands for the Codell and Niobrara Formations.

9. To promote efficient drainage within the Codell and Niobrara Formations underlying Application Lands, to protect correlative rights and to avoid waste, pursuant to Rule 503.b.(1) and §34-60-116(2), C.R.S., the Commission should establish an approximate 320-acre drilling and spacing unit for Application Lands.

10. That the above-proposed drilling and spacing unit will allow efficient drainage of the Codell and Niobrara 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.

11. That the Applicant is requesting to drill and complete up to eleven (11) horizontal wells with the surface locations for the wells to be anywhere within the unit but no more than one (1) surface location per quarter-quarter section within the unit, unless an exception is granted by the Director or as otherwise approved by a surface owner in order to recover the oil, gas and associated hydrocarbons within the 320-acre drilling and spacing unit. There will be no adverse effect on correlative rights of adjacent owners.

12. The Applicant requests that the treated interval of the proposed horizontal wells shall be no closer than 460 feet from the boundaries of the unit (regardless of the lease lines within the unit), and not less than 150 feet from the treated interval of another well within the unit, unless an exception is granted by the Director.

13. The undersigned certifies that copies of this Application will be served on each interested party within seven (7) days of the filing hereof, as required by Rule 503.e.

14. The granting of this Application is in accord with the Oil and Gas Conservation Act, found at §34-60-101, *et seq.*, C.R.S., and the Commission rules.

WHEREFORE, Applicant respectfully 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 this Commission enter its order:

A. Vacating Order No. 407-87 only as it applies to the Application Lands for the Codell and Niobrara Formations.

B. Establishing an approximate 320-acre drilling and spacing unit for the Application Lands and allowing up to eleven (11) horizontal wells in the unit in order to develop and recover the oil, gas and associated hydrocarbons from the Codell and Niobrara Formations.

C. Providing that the treated interval any horizontal well shall be no closer than 460 feet from the boundaries of the unit and not less than 150 feet from the treated interval of another well within the unit, and authorizing surface locations for the wells to be anywhere within the unit but no more than one (1) surface location per quarter-quarter section, unless an exception is granted by the Director, or as otherwise approved by a surface owner.

D. Finding that an approximate 320-acre drilling and spacing unit for the development of the Codell and Niobrara Formations underlying the Application

Lands will prevent waste, protect correlative rights, and allow for the development of the Codell and Niobrara Formations in the Application Lands.

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

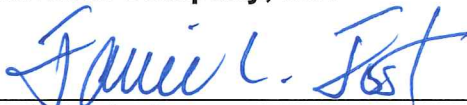
WHEREFORE, Applicant respectfully requests that this matter be set for hearing in March 2015, that notice be given as required by law, and that upon such hearing, the Commission enter its order consistent with Applicant's request as set forth above.

DATED January 14, 2015.

Respectfully submitted:

K.P. Kauffman Company, Inc.

By:



Jamie L. Jost

Joseph M. Evers

Jost & Shelton Energy Group, P.C.

Attorneys for Applicant

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Applicant's Address:


K.P. Kauffman Company, Inc.

ATTN: Avi Mehler

1675 Broadway, Suite 2800

Denver, CO 80202

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


Jeffrey V. Kauffman
Chief Operating Officer
K.P. Kauffman Company, Inc.

JENNIFER NICOLE FEIK
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20124085512
MY COMMISSION EXPIRES NOVEMBER 5, 2016

Debra Nicole Feik
NOTARY PUBLIC

IN THE MATTER OF THE APPLICATION OF K.P. KAUFFMAN COMPANY, INC. FOR AN ORDER TO VACATE PORTIONS OF ORDER NO. 407-87 AND ESTABLISH AN APPROXIMATE 320-ACRE DRILLING AND SPACING UNIT AND APPROVE UP TO ELEVEN (11) WELLS WITHIN THE 320-ACRE DRILLING AND SPACING UNIT FOR THE CODELL AND NIOBRARA FORMATIONS IN SECTION 2, TOWNSHIP 1 NORTH, RANGE 65 WEST, 6TH P.M., WATTENBERG FIELD, WELD COUNTY, COLORADO

DOCKET NO.

STATE OF COLORADO)
COUNTY OF DENVER) ss.

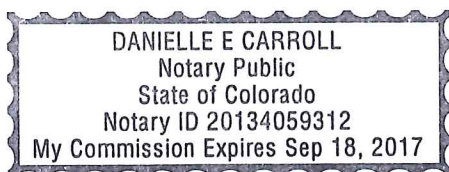
That she is the attorney for K.P. Kauffman Company, Inc., and that on or before January 20, 2015 she caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A attached hereto.


Jamie L. Jost

Subscribed and sworn to before me this 14th day of January, 2015.

My commission expires: 9/18/17


Notary Public



Reference Map

S½ of Section 2, Township 1 North, Range 65 West, 6th P.M.

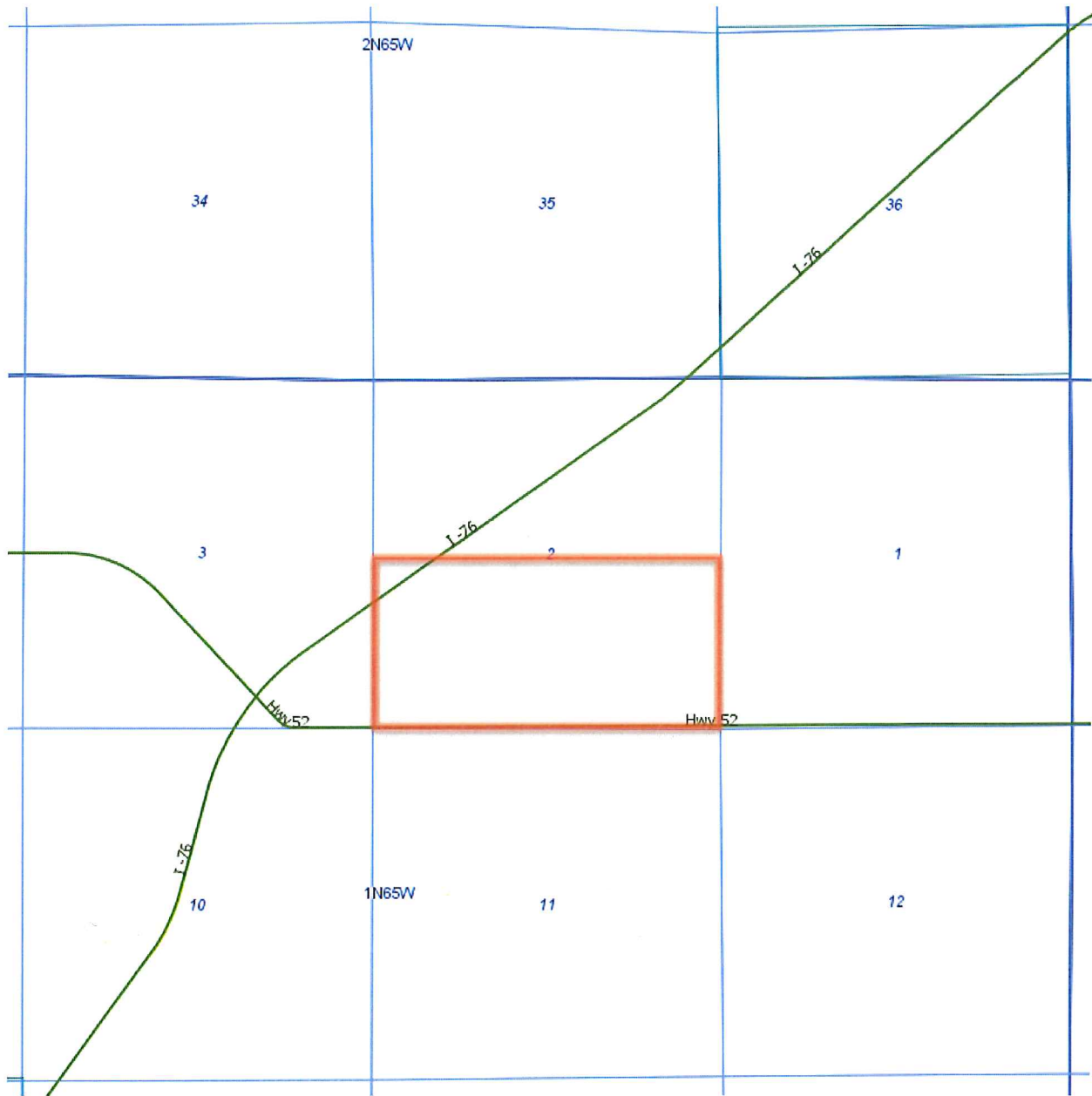


Exhibit A

Interested Parties List

K.P. Kauffman Company, Inc.
1675 Broadway, #2800
Denver, CO 80202

Chicago & Quincy Burlington
Address Unknown

A.N. Honska
Address Unknown

R.E. & Eliza M. Sumners
Address Unknown

The heirs of C.M. Ireland
Address Unknown

Tom Schreiner
Colorado Parks and Wildlife
6060 Broadway
Denver, CO 80526

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

Tom Parko
Weld County
1555 North 17th Street
Greeley, CO 80631

Courtesy Copy:
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Denver, CO 80202