

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

IN THE MATTER OF PROMULGATION AND	)	CAUSE NO. 112
ESTABLISHMENT OF FIELD RULES TO GOVERN	)	
OPERATIONS IN THE IGNACIO-BLANCO FIELD,	)	DOCKET NO. 0706-UP-13
LA PLATA COUNTY, COLORADO	)	

NOTICE OF CONTINUATION OF HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On November 9, 1959, the Commission issued Order No. 112-6, which among other things, established 320-acre drilling and spacing units for certain lands including the E½ of Section 17, Township 32 North, Range 6 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Mesaverde Formation. Subsequently, on July 16, 1979, the Commission issued Order No. 112-46, which among other things allowed an optional second well to be drilled in the established 320-acre drilling and spacing unit for certain lands including the E½ of Section 17, Township 32 North, Range 6 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Mesaverde Formation.

Tracker Resource Development LLC ("Tracker"), Snowflake Minerals, LLC, Peak Production Corp., Frikon Energy Corp and Wessco LLC (collectively hereinafter "Applicant), own an approximate 55% working interest in the E½ of Section 17, Township 32 North, Range 6 West, N.M.P.M. On approximately March 22, 2007, Tracker (as operator on behalf of Applicant) was notified by McElvain Oil & Gas Limited Partnership ("McElvain") that McElvain intended to drill the Payne C-2 Well upon said lands (this being the first well drilled thereon).

McElvain's proposal to Tracker for the drilling of the Payne C-2 Well was unacceptable to Tracker for various reasons including an unreasonable time to respond to the proposal and that the proposed well costs were excessive. Notwithstanding Tracker's objections, McElvain proceeded with the drilling of the Payne C-2 Well.

On April 19, 2007, Applicant, by its attorney, filed with the Commission an application for an order requesting that Applicant's interest in the Payne C-2 Well be pooled under the provisions of §34-60-116, C.R.S. as follows:

(i) One hundred percent of Applicant's share of the cost of surface equipment beyond the wellhead connection (including but not limited to, stock tanks, separators, treaters, pumping equipment, and piping).

(ii) One hundred percent of the Applicant's share of that portion of the costs and expenses of staking, well site preparation, obtaining rights-of-way, rigging up, drilling, reworking, deepening or plugging back, testing and completing the well, after deducting any cash contributions received by the consenting owners, and one hundred percent of that portion of the cost of equipment in the well, including the wellhead connections.

(iii) That the total of the Applicant's share of the costs to be recovered under subsections (i) and (ii) above shall not exceed \$441,193.47 (being the Applicant's 55.011655% leasehold interest times \$802,000 which amount represents the reasonable cost of drilling and completing the well).

(iv) Plus one hundred percent of the Applicant's share of the cost of operation of the well commencing with first production and continuing until the consenting owners have recovered the costs under (i) and (ii) above as limited by (iii) above, it being understood that Applicant shall have the right to file application with the Commission to protest the amount of such operating costs and the degree to which consenting parties may recover Applicant's share of same if Applicant believes such costs to be excessive.

That all costs of drilling, testing and completing the well shall be accounted to Applicant for in accordance with the applicable provisions of the COPAS – 1984 – ONSHORE Accounting Procedure.

That any reworking or other subsequent operations on the well after payout in accordance with subsections (i), (ii), (iii) and (iv) above shall be AFE'd to Applicant and if Applicant believes that such costs are excessive, it may seek to have its interest in such subsequent operations pooled on the basis of what the reasonable costs of undertaking such operations would be by making application to the Commission for same.

That the order of the Commission issued pursuant to the above request shall not apply to any subsequent Mesaverde Formation wells drilled upon the drilling and spacing unit constituting the application lands, it being understood that Applicant shall be given the opportunity to participate in the drilling of any such wells but that if such offer of participation is unreasonable, in the opinion of Applicant, that it shall have the right to seek pooling under the provisions of §34-60-116, C.R.S. in a manner consistent with the requests made in this application.

That the pooling of Applicant's interest in the Payne C-2 Well, all in the manner as requested above, is fair and reasonable under the circumstances and will afford to Applicant the opportunity to recover or receive its just and equitable share without unnecessary expense.

On May 11, 2007, McElvain Oil and Gas Properties, Inc. ("McElvain"), by its attorney, filed with the Commission a protest and motion to dismiss the Tracker Resource Development LLC, Snowflake Minerals, LLC, Peak Production Corp., Frikon Energy Corp and Wessco LLC application.

On May 23, 2007, Tracker Resource Development LLC, Snowflake Minerals, LLC, Peak Production Corp., Frikon Energy Corp and Wessco LLC, by its attorney, filed with the Commission a response to the motion to dismiss and a request to continue this matter to the July hearing. The matter was continued to the July hearing, as the June hearing was cancelled.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, July 23, 2007  
Tuesday, July 24, 2007

Time: 9:00 a.m.

Place: Suite 801, The Chancery Building  
1120 Lincoln Street  
Denver, Colorado 80203

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By \_\_\_\_\_  
Patricia C. Beaver, Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
June 14, 2007

Attorney for Applicant:  
William A. Keefe  
Poulson, Odell & Peterson, LLC  
1775 Sherman Street, Suite 1400  
Denver, Colorado 80203  
(303) 861-4400