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

IN THE MATTER OF THE PROMULGATION AND ESTABLISHMENT OF FIELD RULES TO GOVERN OPERATIONS IN THE WATTENBERG FIELD, WELD COUNTY, COLORADO	))))	CAUSE NOS. 1 & 407 ORDER NOS. 1-110 & 407-295

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission at 9:00 a.m. on March 26, 2007, in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado on an application for an order to amend Order No. 407-1 to establish a 160-acre drilling and spacing unit consisting of the S½ NE¼ and the N½ SE¼ of Section 17, Township 5 North, Range 65 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the Cretaceous Age formations including the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations (the "Unit"). In addition, the order should pool all interests in the Unit for the development and operation of the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations.

FINDINGS

The Commission finds as follows:

1. Mineral Resources, Inc. ("Mineral Resources"), as applicant herein, is an interested party in the subject matter of the above-referenced hearing.

2. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.

3. The Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order pursuant to the Oil and Gas Conservation Act.

4. On November 18, 1985, the Commission issued Order No. 407-1 (amended on March 29, 2000) which established 80-acre drilling and spacing units for the production of oil and/or gas and associated hydrocarbons for the Codell and Niobrara Formations underlying certain lands, including Section 17, Township 5 North, Range 65 West, 6th P.M., with the unit to be designated by the operator upon drilling the first well in the quarter section. The permitted well shall be located in the center of either 40-acre tract within the unit with a tolerance of 200 feet in any direction. The operator shall have the option to drill an additional well on the undrilled 40-acre tract in each 80-acre drilling and spacing unit.

5. Rule 318.a. of the Rules and Regulations of the Commission requires that wells drilled in excess of two thousand five hundred (2,500) feet in depth be located not less than six hundred (600) feet from any lease line, and located not less than one thousand two hundred (1,200) feet from any other producible or drilling oil or gas well when drilling to the same common source of supply. The S½ NE¼ of Section 17, Township 5 North, Range 65 West, 6th P.M. is subject to this Rule for the Sussex, "J" Sand and Dakota Formations.

6. 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, among other things, allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. Section 17, Township 5 North, Range 65 West, 6th P.M. was included in this Rule.

7. On October 23, 2006, Mineral Resources, by its attorney, filed with the Commission a verified application for an order to establish a 160-acre drilling and spacing unit consisting of the S½ NE¼ and N½ SE¼ of Section 17, Township 5 North, Range 65 West, 6th P.M. as a wellbore spacing unit for the production from the Sussex, Codell, Niobrara, "J" Sand or Dakota Formations, and for an order to pool all nonconsenting interests in the 160-acre drilling and spacing unit for the development and operation of said formations.

8. On January 2, 2007, Mineral Resources, by its attorney, filed with the Commission a written request to continue this matter to the February hearing and the hearing in this matter was

continued. On February 5, 2007, Mineral Resources, by its attorney, filed with the Commission a written request to continue this matter to the March hearing and the hearing in this matter was continued.

9. On February 23, 2007, Mineral Resources, by its attorney, filed with the Commission a written request to approve the application based on the merits of the verified application and the supporting exhibits. Sworn written testimony and exhibits were submitted in support of the application.

10. Testimony and exhibits submitted in support of the application indicated that letters were sent between June 26, 2006 and November 1, 2006 to each mineral owner offering leases at $50 per acre with a 12½% royalty interest, or offering an opportunity to participate as a working interest in the well. Testimony indicated that these terms are similar to those prevailing in the area. None of the mineral owners have agreed to date to participate as working interest owners.

11. Testimony and exhibits submitted in support of the application showed that Mineral Resources owns the drill site and Patina Oil and Gas has vertical wells on the drill site. Further testimony showed that the City of Greeley has approved a Special Use Permit for this proposal.

12. Testimony and exhibits submitted in support of the application showed that establishing one 160-acre drilling and spacing unit will facilitate drilling and producing multiple formations while protecting correlative rights, that waste will be prevented, and production accounting will be simplified.

13. Mineral Resources, Inc. agreed to be bound by an oral order of the Commission.

14. Based on the facts stated in the verified application, having received no protests or interventions to the application and based on the Hearing Officer review of the application under Rule 511.b., the Commission should approve an order amending Order No. 407-1 to establish a 160-acre drilling and spacing unit consisting of the S½ NE¼ and the N½ SE¼ of Section 17, Township 5 North, Range 65 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the Cretaceous Age formations including the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations. In addition, the Commission should approve pooling all interests in the 160-acre drilling and spacing unit consisting of the S½ NE¼ and the N½ NE¼ of Section 17 for the development and operation of the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations.

ORDER

NOW, THEREFORE IT IS ORDERED, that Order No. 407-1 is hereby amended and a 160-acre drilling and spacing unit consisting of the S½ NE¼ and the N½ SE¼ of Section 17, Township 5 North, Range 65 West, 6th P.M. is hereby established for the production of oil, gas and associated hydrocarbons from the Cretaceous Age formations including the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations.

IT IS FURTHER ORDERED, that, 1. Pursuant to the provisions of §34-60-116, C.R.S., as amended, of the Oil and Gas Conservation Act of the State of Colorado, all unleased mineral interests in the 160-acre drilling and spacing unit consisting of the S½ NE¼ and the N½ SE¼ of Section 17 in Township 5 North, Range 65 West 6th P.M., are hereby pooled for the development and operation of the Dakota, "J" Sand, Codell, Niobrara and Sussex Formations.

2. The production obtained from the Unit shall be allocated to each owner in the Unit on the basis of the proportion that the number of acres in such tract bears to the total number of mineral acres within the Unit; each owner of an interest in the Unit shall be entitled to receive his/her share of the production of the well located on the Unit applicable to his interest in the Unit.

3. Said owners are hereby deemed to have elected not to participate and shall therefore be deemed to be nonconsenting as to the well(s) and be subject to the penalties as provided for by §34-60-116 (7).

4. Any nonconsenting unleased mineral owner within the Unit shall be treated as the owner of the landowner's royalty to the extent of 12.5% of his/her record title interest, whatever that interest may be, until such time as the consenting owner recovers, only out of the nonconsenting

owner's proportionate 87.5% share of production, the costs specified in §34-60-116 (7)(b), C.R.S. as amended. After recovery of such costs, the nonconsenting mineral owner shall then own his/her proportionate 8/8^{ths} share of the well, surface facilities and production, and then be liable for his/her proportionate share of further costs incurred in connection with the well as if he/she had originally agreed to the drilling.

5. The operator of any well drilled on the above-described Unit shall furnish all nonconsenting owners with a monthly statement of all costs incurred, together with the quantity of oil and gas produced, and the amount of proceeds realized from the sale of production during the preceding month.

IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective forthwith.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

IT IS FURTHER ORDERED, that under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review within thirty (30) days after the date this order is mailed by the Commission.

IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

ENTERED this 12th day of April, 2007, as of March 26, 2007.

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
April 12, 2007