



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

RECEIVED

IN THE MATTER OF THE APPLICATION OF
MINERAL RESOURCES, INC. FOR AN ORDER
POOLING INTERESTS IN THE CRETACEOUS
AGE FORMATIONS FROM THE BASE OF THE
DAKOTA TO THE SURFACE LOCATED IN A
PORTION OF THE WATTENBERG FIELD
IN WELD COUNTY, COLORADO

CAUSE NO. 318A, land 407

DOCKET NO. _____

0701-UP-21 (3) ORIGINAL

COMES NOW, Mineral Resources, Inc., a Colorado corporation ("Applicant") by and through its attorney, Keith M. Crouch, P.C. and for its application for an order for the involuntary pooling of certain interests in production from the Cretaceous formations in the lands described below pursuant to CRS § 34-60-116 states and alleges as follows:

1. Applicant is duly authorized to conduct business in the State of Colorado and owns an interest in and operates oil and gas leases and mineral interests covering portions of certain lands located in Weld County, Colorado described as follows:

T5N, R65W, 6th P.M., Weld County, Colorado
Section 16: S/2SW/4 & Section 21: N/2NW/4

2. The lands described above are located in the City of Greeley, Colorado and are in populated areas. Applicant owns a 20-acre, more or less, tract of land in the vicinity of the lands described above (the "Drill Site") and plans to use the Drill Site to drill a planned one oil and gas well directionally from the Drill Site to explore for and produce oil and gas from the bottom hole location under the lands described above. The one well is in addition to 11 directional wells drilled and completed by Applicant from the same Drill Site in the prior calendar year. The well is included in another drilling program of up to 23 wells that will be drilled by Applicant from the Drill Site as part of a potential 34 well directional drilling program. The planned wells include boundary well locations for production of oil and gas from the Cretaceous formations in and under the above-described lands.
3. Pursuant to Rule 318A, effective March 1, 2006, operators are authorized to utilize the designated drilling locations to produce all of the Cretaceous Age formations from the base of the Dakota to the surface, to include but not be limited to the Sussex, Codell, Niobrara, J-Sand and Dakota formations, to include "infill" and "boundary" wells as defined by Rule 318A. The lands are included in the Wattenberg spaced area for the production of oil and gas from the Codell and Niobrara formations (see Order No. 407-1 for the Codell formation and Order No. 407-1 for the Niobrara formation). The Sussex, J-Sand and Dakota formations are unspaced as to the N/2NW/4 of Section 21 above described.
4. Applicant has received permits to drill 20 of the planned 23 wells.
5. As set forth above, Applicant intends to drill one well to the Sussex, Codell, Niobrara, J-Sand and/or Dakota formations in and under the S/2SW/4 of Section 16 & N/2NW/4 of Section 21 above described. Pursuant to Rule 318A.a.(4)C., the lands above described are the designated wellbore spacing unit for the well (the "Spacing Unit").
6. In addition, Applicant owns and operates oil and gas leases and controls mineral interests covering a total of 154.7412 acres, more or less, in the Spacing Unit. A plat of the Spacing Unit is attached hereto as Exhibit A.
7. The Spacing Unit consists of a total of 160-acres, more or less. Approximately 5.2588 acres, more or less, in the Spacing Unit are unleased.
8. According to the title work completed by Applicant, the unleased interests in the Spacing Unit total 5.2588 acres, more or less, and those interests are owned by the persons identified on Exhibit B attached hereto.

9. By letters sent to the persons described in Exhibit B, Applicant offered to lease the interests in the oil and gas owned by the unleased owners in the Spacing Unit. The letters included a proposed lease. A representative sample of the letter is attached hereto as Exhibit C.
10. The offer to lease was made pursuant to C.R.S. § 34-60-116(7) c and Rule 530 of the rules of the Commission and the terms thereof comply with the requirements of the statute and rule.
11. In addition, the letter containing the offer to lease described in paragraph 9, Applicant included the opportunity for each owner identified on Exhibit B to bear his, her or its proportionate share of the costs and risks of the drilling and operating the well currently planned for the Spacing Unit. The letters included the following information as required by Rule 530 of the Commission's rules:
 - The location and objective depth of the one well to be drilled in the Spacing Unit,
 - The estimated drilling and completion costs of the one well to be drilled in the Spacing Unit,
 - The estimated spud date for the well to be drilled in the Spacing Unit or range of time within which the spudding is to occur and
 - An AFE prepared by the Applicant and containing the information described above.
12. Because more than 30 days will have elapsed on the date this Application will be heard, the parties listed on Exhibit B who have not elected to bear his, her or its proportionate share of the costs and risks of the drilling and operating the well to be drilled in the Spacing Unit will have become non-consenting owners as defined by C.R.S. § 34-60-116(7) and Rule 530 of the rules of the Commission.
13. In order to prevent waste, protect correlative rights and in the best interests of conservation and to foster, encourage and promote the development, production and utilization of the oil and gas natural resources, all the unleased interests in the Spacing Unit in the J Sand, Dakota, Codell and Niobrara formations owned by the parties listed on Exhibit B should be pooled in accordance with the provisions of C.R.S. § 34-60-116.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing, this Commission enter its order:

- a. That the Spacing Unit be designated as the drilling and spacing unit for the one well and that unleased interests in the Spacing Unit in the Cretaceous formations from the base of the Dakota formation to the surface, to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations owned by the parties listed on Exhibit B who are "non-consenting owners" as defined by Rule 530 of the rules of the Commission be pooled and that such owners be treated as non-consenting owners under C.R.S. § 34-60-116,
- b. Authorizing the production of oil, gas and associated hydrocarbons from the Cretaceous formations from the base of the Dakota formation to the surface to include, but not be limited to, production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations from the Spacing Unit and from locations that are permitted by Rule 318A, and
- c. For such other and further relief as this Commission deems just and proper.

EXHIBIT "B"
NON-CONSENTING OWNERS

OWNER	OWNER ADDRESS	LEGAL DESCRIPTION	NET ACRES	ROYALTY	PROPORTIONATE INTEREST
Enrique Padilla and Maria Teresa Herrera and Claudia Herrera	2613 Alpine Ave Greeley, CO 80631	Lot 3, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.1002	12.50%	0.000078
Luciano Hernandez and Christela Hernandez	2629 Alpine Ave Greeley, CO 80631	Lot 6, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0858	12.50%	0.000067
Guadalupe Hernandez	2620 Alpine Ave Greeley, CO 80631	Lot 11, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0951	12.50%	0.000074
Luis A. Rangel	2616 Alpine Ave Greeley, CO 80631	Lot 12, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0924	12.50%	0.000072
Lizeth Herrera and Luis Labra and Julio Juarez	2615 Alpine Ave Greeley, CO 80631	Lot 20, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0723	12.50%	0.000056
Pablo J. Medina and Paul L. Medina and Maria E. Medina	2619 Apple Ave Greeley, CO 80631	Lot 21, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0809	12.50%	0.000063
Micheal Baumgartner and Sheree Baumgartner	4870 West 102nd Place Westminster, CO 80221	Lot 25, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.1008	12.50%	0.000079
Juan Machuca and Norma Delgado	2630 Apple Ave Greeley, CO 80631	Lot 27, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.1066	12.50%	0.000083
Gerardo Arellano and Julia Arellano	2618 Apple Ave Greeley, CO 80631	Lot 30, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0694	12.50%	0.000054
Jeff A. Keck and Bambi Luv Hernandez	2610 Apple Ave Greeley, CO 80631	Lot 32, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0689	12.50%	0.000054
Lorena Luna and Pedro Luna and Aurelia Lopez de Luna	2602 Apple Ave Greeley, CO 80631	Lot 34, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0801	12.50%	0.000063
Nicole M. Moore and Donald Plattel	2601 Arbor Ave Greeley, CO 80631	Lot 35, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0801	12.50%	0.000063
Rodell Giavonna	c/o Gould Giavonna 14337 Westway Lane #7 Dale City, VA 22193	Lot 36, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0689	12.50%	0.000054
Michael W. Brown	2613 Arbor Ave Greeley, CO 80631	Lot 38, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0689	12.50%	0.000054
Joe Baros and Brittany Flores	2617 Arbor Ave Greeley, CO 80631	Lot 39, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0702	12.50%	0.000055
Ismael Orozco	2625 Arbor Ave Greeley, CO 80631	Lot 41, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0867	12.50%	0.000068
Bernarino Pizarro	2612 Arbor Ave Greeley, CO 80631	Lot 50, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0689	12.50%	0.000054
Emmeline Cruz Perez and Leticia Cruz Perez	2603 Aspen Ave Greeley, CO 80631	Lot 54, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0801	12.50%	0.000063
Melville G. Lackie	2209 27th Ave Greeley, CO 80634	Lot 55, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0693	12.50%	0.000054
Richard Budd	1601 46 Ave Greeley, CO 80634	Lot 59, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0902	12.50%	0.000070
Shawn D. Powell and Rebbecca L. Shifler	2627 Aspen Ave Greeley, CO 80631	Lot 60, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0918	12.50%	0.000072
Rusty Loya	2622 Aspen Ave Greeley, CO 80631	Lot 64, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0754	12.50%	0.000059

Randy K. Merriman and Loraine G. Merriman	2618 Aspen Ave Greeley, CO 80631	Lot 65, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0762	12.50%	0.000060
Jose Refugio Valenzuela and Nicandra Valenzuela	2614 Aspen Ave Greeley, CO 80631	Lot 66, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0767	12.50%	0.000060
Claudia M. Galindo	2606 Aspen Ave Greeley, CO 80631	Lot 68, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.0689	12.50%	0.000054
Brownstone Property Mgmt, LLC	2723 33rd Ave Place Greeley, CO 80634	Lots 48 and 69, Parkview South 2nd Filing, a Subdivision of the City of Greeley, County of Weld, State Colorado	0.1542	12.50%	0.000120
Clifford D. Miller	2918 Harp Court Greeley, CO 80634	The North 20 feet of the N1/2NW1/4 of Section 21, T5N, R65W, 6th P.M., County of Weld, State Colorado	1.7500	12.50%	0.001367
JMN Land Holdings, LLC	16529 WCR 70 Greeley, CO 80631	The North 20 feet of the N1/2NW1/4 of Section 21, T5N, R65W, 6th P.M., County of Weld, State Colorado	1.3300	12.50%	0.001039

EXHIBIT "C"



MINERAL RESOURCES, INC.

Mail: P.O. Box 328, Greeley, Colorado 80632 Phone: 970.352.9446 Fax: 800.850.9334

October 4, 2006

RE: Township 5 North, Range 65 West, 6th P.M.
Section 21: N/2NW/4 (Two Wells)
Section 16: S/2SW/4 & Section 21: N/2NW/4 (One Well)
County of Weld, State of Colorado

Dear Mineral Owner:

I am writing on behalf of Mineral Resources, a local oil and gas exploration company. We are developing a directional drilling program in southeast Greeley, Colorado. You may have already been contacted by Mineral Resources with respect to leasing or selling your mineral interest to Mineral Resources.

Mineral Resources plans to drill three oil and gas wells beneath the above referenced property in the next 90 days. The wells will be drilled from a common drilling pad on land owned by Mineral Resources. As a result, **NO DRILLING OPERATIONS WILL TAKE PLACE ON THE SURFACE OF YOUR PROPERTY OR THE REFERENCED LAND.** The wells are being planned as a three well operation because of the costs and risks associated with the operation. If the program is not successful and if less than the three planned wells are drilled, all costs and expenses will be accounted for and adjusted accordingly.

According to the records of the Weld County Clerk and Recorder's office, you own an interest in the oil and gas under the referenced 80-acre property, and according to our research, your oil and gas interest is unleased. Mineral Resources owns oil and gas leases covering 95%, more or less, of the above referenced property.

Attached to this letter is a map showing Mineral Resources' drilling plans as of this date. The locations of the wells are depicted on the map. The objective depth of each of the wells is approximately 8000 feet true vertical depth and may include penetrating the Dakota formation. The wells, if successful, will be completed on any one or more of the Cretaceous formations under the referenced land. Those formations include, but are not limited to, the Sussex, Codell, Niobrara, J-Sand and Dakota formations.

As depicted on the map, your interest will be pooled with adjoining lands to create two respective spacing units.

Unit 1 is to be designated as the spacing unit for three wells in the N/2NW/4 of Section 21.

Unit 2 is to be designated as the spacing unit for one well in the S/2SW/4 of Section 16 and N/2NW/4 of Section 21.

The wells will be drilled directionally from a pad-site located just south of U.S. Highway 34 and east of the Union Pacific Rail Road Right of Way; hence, NO DRILLING OPERATIONS WILL TAKE PLACE ON THE SURFACE OF YOUR PROPERTY OR THE REFERENCED LAND.

Operations are scheduled to commence between September 20 and October 20, 2006, but they may be either moved up or delayed depending on rig availability and dealings with the Colorado Oil and Gas Conservation Commission that governs this operation. Mineral Resources plans on drilling all of the wells consecutively, again, depending on the success of the program.

As an owner of a mineral interest in the above described units, you have several options from which to choose. The options are as follows:

Oil and Gas Lease - The most common way to participate is to lease your mineral interest in and under the referenced land to Mineral Resources. We have enclosed for your review and execution an oil and gas lease. The lease provides for a 12.5% royalty interest in all wells in proportion to your acreage and a five-year primary term. As consideration for signing the lease Mineral Resources will pay you \$50.00 per acre upon the receipt of a signed and notarized oil and gas lease. After signing the lease you should make a copy of it for your records.

Mineral Quit Claim Deed - As a second option, you may sell your interest to Richmark Development, LLC, an affiliate company of Mineral Resources. Please contact Logan Richardson at 970-352-9446 in regards to this option.

Participate as an Owner - As an alternative to leasing or selling your mineral interest, you have the opportunity to participate as a working interest owner and bear your proportionate share of the costs and risks of the drilling and operating of the three wells within the Spacing Unit. This offer is being made pursuant CRS §34-60-116 (7) (a) and rule 530 of the rules and regulations of the Colorado Oil and Gas Conservation Commission. Based upon your net acreage to the units, your proportionate share of the costs to drill and complete the wells is estimated to be \$28,013.67, based upon the following calculation:

Unit 1: $1.33 \text{ (\# of your mineral acres in Unit 1)} / 80 \text{ (total acres in Unit 1)} \times \$1,348,026$
(estimated cost to drill and complete two wells at an average cost of \$674,013 per well) =
\$22,410 (estimated cost for Unit 1 billable to you should you elect to participate as a working interest owner).

Unit 2: $1.33 \text{ (\# of your mineral acres in Unit 2)} / 160 \text{ (total acres in Unit 2)} \times \$674,013$ (estimated cost to drill and complete one well at a cost of \$674,013) = \$5,602.73 (estimated cost for Unit 2 billable to you should you elect to participate as a working interest owner).

Total Cost: \$22,410 (estimated cost billable to you for Unit 1) + \$5,602.73 (estimated cost billable to you for Unit 2) = \$28,013.67 (estimated cost billable to you for Units 1 and 2 should you elect to participate as a working interest owner).

Enclosed is an Authority for Expenditure (AFE) for estimated cost one of the three wells. The AFEs for the other wells are substantially identical. The total estimated cost of the three wells to be drilled under the referenced land is \$2,022,039. THE COST OF ANY OF THE

WELLS MAY BE MORE OR LESS THAN THE AMOUNT OF THE AFE AND IF THE COSTS EXCEED THE AMOUNT OF THE AFE, YOU WILL BE LIABLE FOR YOUR PORPORTIONATE SHARE OF THE EXCESS COST.

If you elect to participate as a working interest owner in the drilling of the wells, please send a letter to Mineral Resources stating your intention to participate and bear the estimated costs billable to you no later than November 7, 2006. Upon receipt of your letter, Mineral Resources will send you a Joint Operating Agreement for your execution; the operating agreement contains terms and conditions pursuant to which Mineral Resources will operate the wells for your account and others who elect to participate. Your total payment will have to be made at the time the signed Joint Operating Agreement is returned to Mineral Resources.

Should you elect not to participate in the drilling of the wells, or lease or sell your interest to Mineral Resources, Mineral Resources, as Operator, will apply with the Colorado Oil and Gas Conservation Commission to have your interests in the two units described in this letter pooled with the interests of Mineral Resources and others who have elected to participate.

Sincerely,

Logan Richardson
Land Manager

Cell: 970-590-7506
Email: Logan@mineralresourcesinc.com