



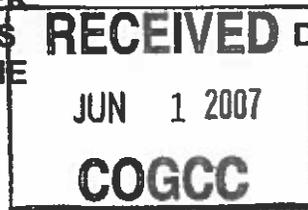
BEFORE THE OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

8

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,

DOCKET NO. \_\_\_\_\_



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, 6<sup>th</sup> P.M., Weld County, Colorado  
 Section 17: S/ESW/4, SW/4SE/4  
 Section 20: NW/4NE/4, NE/4NW/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 SE/4SW/4 and SW/4SE/4 of Section 17 and the NW/4NE/4 and NE/4NW/4 of Section 20 of Section 20 above described.
4. Applicant has received permits to all 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 SE/4SW/4 and SW/4SE/4 of Section 17 and the NW/4NE/4 and NE/4NW/4 of Section 20 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 105.559 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 2.801 acres, more or less, in the Spacing Unit are unleased.

8. According to the true work completed by Applicant, the unleased interests in the Spacing Unit total 2.801 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"

OWNER	OWNER ADDRESS	LEGAL DESCRIPTION	ACRES	ROYALTY	DECIMAL INTEREST
CESAR MACIEL	601 27 STREET ROAD GARDEN CITY, COLORADO 80631	PART OF LOT 6 ARLINGTON GARDENS, TOWN OF GARDEN CITY, COUNTY OF WELD, STATE OF COLORADO BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING 208.5 FEET FROM THE NORTHEAST CORNER OF LOT 6, THENCE WEST 176.9 FEET; THENCE SOUTH 50 FEET; THENCE EAST 176.9 FEET; THENCE NORTH 50 FEET TO THE POINT OF BEGINNING, EXCEPT THAT PART OF THE RIGHT OF WAY OF THE COLORADO DEPT. OF HIGHWAYS.	0.183	12.50%	0.000143
EDWARD BOEHM, JR. LAVETA R. BOEHM	9801 SIERRA VISTA ROAD LONGMONT, COLORADO 80504	LOT 10 THROUGH LOT 17 OF BLOCK 3, AND THE WEST-HALF OF VACATED 7TH AVENUE LYING AND BEING ADJACENT TO SAID LOTS, CITY OF GREELEY, COUNTY OF WELD, STATE OF COLORADO	0.688	12.50%	0.000538
FELIPE RAMIREZ, MARIA RAMIREZ	2760 SOUTH 8TH AVENUE GARDEN CITY, COLORADO 80631	LOTS 32, 33, AND 34, EXCEPT THE SOUTH 3 FEET OF LOT 32, ALL IN BLOCK 3 OF GARDEN CITY, WELD COUNTY, COLORADO	0.206	12.50%	0.000161
FLORENE CRAGGS LOWELL FERGUSON	2704 7TH AVENUE GREELEY, COLORADO 80631	LOT 5 THE SOUTH HALF OF LOT 4 OF BLOCK 1, GARDEN CITY, WELD COUNTY, COLORADO	0.129	12.50%	0.000101
GABRIEL L. SAENZ	2707 6TH AVENUE LANE GREELEY, COLORADO 80631	THE EAST-HALF OF LOTS 4, 5, 6, AND 7 OF BLOCK 2, 1ST ADDITION TO GARDEN CITY, WELD COUNTY, COLORADO	0.136	12.50%	0.000106
GERMAN BATREZ	2711 6TH AVENUE LANE GARDEN CITY, COLORADO 80631	LOTS 8 AND 9 OF BLOCK 2, 1ST ADDITION TO GARDEN CITY, WELD COUNTY, COLORADO	0.135	12.50%	0.000105
COLORADO HOUSING FINANCE AUTHORITY	2706 7TH AVENUE GREELEY, COLORADO 80631	LOTS 6 AND 7 OF BLOCK 1, GARDEN CITY, WELD COUNTY, COLORADO	0.169	12.50%	0.000132
JORGE A. MAGANA	2738 6TH AVENUE LANE GARDEN CITY, COLORADO 80631	LOTS 14 AND 15, BLOCK 1, 1ST ADDITION TO GARDEN CITY, WELD COUNTY, COLORADO	0.152	12.50%	0.000119
SILVESTRE RUVALCABA	2702 7TH AVENUE GREELEY, COLORADO 80631	LOT 3 AND THE NORTH-HALF OF LOT 4, BLOCK 1, GARDEN CITY, WELD COUNTY, COLORADO	0.129	12.50%	0.000101
SUPER AMERICA LLC	1360 W 13TH AVE BROOMFIELD, COLORADO 80020	LOTS 1 AND 2 OF BLOCK 16, KENDRICKS 2ND ADDITION TO GARDEN CITY, WELD COUNTY, COLORADO, ALSO THE VACATED SOUTH 10 FEET OF 26TH STREET LYING AND BEING ADJACENT TO SAID LOTS	0.486	12.50%	0.000380
CARL STULL, MEGAN STULL	1035 37TH AVENUE GREELEY, COLORADO 80634	THE EAST-HALF OF LOTS 1, 2, AND 3 OF BLOCK 2, 1ST ADDITION TO GARDEN CITY, WELD COUNTY, COLORADO	0.102	12.50%	0.000080
WELLS FARGO BANK, NA, TRUSTEE OPTION ONE MORTGAGE LOAN TRUST 2002-A, ASSET BACKED CERTIFICATES, SERIES 2002-A	3 ADA IRVINE, CALIFORNIA 92618	THAT PART OF LOT 3, ARLINGTON GARDENS, GARDEN CITY, WELD COUNTY, COLORADO DESCRIBED AS FOLLOWS: BEGINNING AT A POINT WHICH LIES 265 FEET EAST OF THE NORTHWEST CORNER OF SAID LOT 3, THENCE SOUTH 130 FEET; THENCE EAST 100 FEET; THENCE NORTH 130 FEET; THENCE WEST 100 FEET TO THE POINT OF BEGINNING	0.229	12.50%	0.000179
WILLIAM Y. HUBBARD, III LINDA S. HUBBARD	5429 ROAD 47 TORRINGTON, WYOMING 82240	LOT 4 THROUGH LOT 8 OF BLOCK 1, 1ST ADDITION TO GARDEN CITY, WELD COUNTY, COLORADO	0.057	12.50%	0.000045

**EXHIBIT "C"**  
**LETTER**



**MINERAL RESOURCES, INC.**

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

June 30, 2006

**RE: Township 5 North, Range 65 West, 6<sup>th</sup> P.M.**  
**Section 17: SW1/4 (Five Wells)**  
**Section 17: E1/2SW1/4, W1/2SE1/4 (One Well)**  
**Section 17: S1/2SW1/4, Section 20: N1/2NW1/4 (One Well)**  
**Section 17: SE1/4SW1/4, SW1/4SE1/4, Section 20: NE1/4NW1/4, NW1/4NE1/4 (One Well)**  
**City of Greeley, County of Weld, State of Colorado**

Dear Mineral Owner:

Mineral Resources, Inc. plans to drill eight oil and gas wells beneath the referenced property in the next 90 days. The wells will be drilled from a common drilling pad on land owned by Mineral Resources or an affiliated entity described below. The wells are being planned as an eight well operation because of the costs and risks associated with the operation. If the program is not successful and if less than the eight planned wells are drilled, all costs and expenses will be accounted for and adjusted accordingly.

You may have already been contacted by Mineral Resources or one of its affiliates with respect to the leasing of your mineral interest to the Mineral Resources or the sale of your mineral interest to a Mineral Resources affiliate.

The purpose of this letter is to offer you the opportunity to bear your proportionate share of the costs and risks of the drilling and operating of the eight wells that Mineral Resources plans to drill under the land described above. 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.

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 property, and according to our research, your oil and gas interest is unleased. Mineral Resources owns oil and gas leases covering 80%, more or less, of the referenced property.

Attached to this letter is a plat showing Mineral Resources' drilling plans as of this date. The locations of the wells are depicted on the plat. 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 attached map, your interest will be pooled with adjoining lands to create four spacing units.

Unit 1 is to be designated as the spacing unit for five wells in the SW1/4 of Section 17.

Unit 2 is to be designated as the spacing unit for 1 well in the E1/2SW1/4, W1/2SE1/4 of Section 17.

Unit 3 is to be designated as the spacing unit for 1 well in the S1/2SW1/4 of Section 17 and N1/2NW1/4 of Section 20

Unit 4 is to be designated as the spacing unit for 1 well in the SE1/4SW1/4, SW1/4SE1/4 of Section 17 and NE1/4NW1/4, NW1/4NE1/4 of Section 20

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 August 1 and August 30, 2006, but may be either moved up or delayed depending on rig availability and proceedings before the Colorado Oil and Gas Conservation Commission that govern these operations. 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 SW1/4 of Section 17, you have several options from which to choose. The first is to lease your mineral interest in and under the SW1/4 of Section 17 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 in each of the 2 units described above and a five-year primary term. As consideration for signing the lease Mineral Resources will pay you \$50.00 per acre and a minimum amount of \$15.00 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. The terms being offered are consistent with existing leases in the SW1/4 of Section 17 and other lands within the drilling program.

As a second option, you may sell your interest to Richmark Development, LLC, an affiliate company of Mineral Resources, Inc. If a check was previously sent to you, and if that check is in your possession you can still cash it. Richmark Development will issue you a new check if you request if the original check has been lost, destroyed or returned to Richmark Development.

As an alternative to leasing your oil and gas mineral interest to Mineral Resources or selling your mineral interest to Richmark Development, you have the right to participate as a working interest owner in the drilling of the eight wells within the four units described in this letter. Based upon your net acreage to the units, your proportionate share of the costs to drill and complete the wells is estimated to be \$6167.20, based upon the following calculation:

**Unit 1:**

0.183 (# of your mineral acres in Unit 1) / 160 (total acres in Unit 1) x \$3,370,065 (estimated cost to drill and complete five wells at an average cost of \$674,013 per well) = \$3854.5 (estimated cost for Unit 1 billable to you should you elect to participate as a working interest owner).

**Unit 2:**

0.183 (# of your mineral acres in Unit 1) / 160 (total acres in Unit 1) x \$674,013 (estimated cost to drill and complete one well) = \$770.9 (estimated cost for Unit 2 billable to you should you elect to participate as a working interest owner).

**Unit 3:**

0.183 (# of your mineral acres in Unit 1) / 160 (total acres in Unit 1) x \$674,013 (estimated cost to drill and complete one well) = \$770.9 (estimated cost for Unit 2 billable to you should you elect to participate as a working interest owner).

**Unit 4:**

0.183 (# of your mineral acres in Unit 1) / 160 (total acres in Unit 1) x \$674,013 (estimated cost to drill and complete one well) = \$770.9 (estimated cost for Unit 2 billable to you should you elect to participate as a working interest owner).

**Total Cost:**

\$3854.5 (estimated cost billable to you for Unit 1) + \$770.9 (estimated cost billable to you for Unit 2) + \$770.9 (estimated cost billable to you for Unit 3) + \$770.9 (estimated cost billable to you for Unit 4) = \$6167.20 (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 eight wells. The AFEs for the other wells are substantially identical. The total estimated cost of the eight wells to be drilled under the referenced land is \$5,392,104. 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 July 30, 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 to have your interests in the four units described in this letter pooled with the interests of Mineral Resources and others who have elected to participate.

Sincerely,

Collin M. Richardson  
Director of Operations