

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

**IN THE MATTER OF THE APPLICATION OF
MERIT ENERGY COMPANY FOR AN ORDER
ESTABLISHING DRILLING AND SPACING UNIT
ORDERS FOR THE RUSH WILLADEL FIELD
AND THE CRETACEOUS AGE FORMATIONS
FROM THE BASE OF THE DAKOTA TO THE
SURFACE FOR AN AREA LOCATED IN
WASHINGTON COUNTY, COLORADO**

CAUSE NO. ____

DOCKET NO. ____

COMES NOW, Merit Energy Company, Inc., a Delaware corporation qualified to do business in the State of Colorado ("Applicant") by and through its attorney, Keith M. Crouch, P.C. and for its application for an order for the creation of drilling and spacing units and appropriate unit orders for the Rush Willadel Field located in Washington County, Colorado, states and alleges as follows:

1. Applicant is the owner/operator of certain oil and gas leases (the "Leases") covering all of the land described below located in Washington County, Colorado described as follows:

T3S, R51W, 6th P.M., Washington County, Colorado

Section 26: All

2. The above-described land is not included within any area that is subject to any order of the Commission that established drilling and spacing units and unit orders for the production of oil, gas and associated hydrocarbons. As a result, the land described above is subject to the well location rules of Rule 318 a. for well deeper than 2,500 feet in depth.
3. Applicant, as the operator of the Leases is planning on drilling, completing and operating a total of four wells on the land covered by the Leases. The plans of Applicant are to drill two sets of twin wells (one each for oil and gas) at the following locations:

Location No.1 1,359 feet FEL and 2,351feet FSL

Location No. 2600 feet FEL and 845 feet FNL

At each drilling location, Applicant plans on drilling one J-Sand well and one Niobrara well. The wells will be drilled approximately __ feet from one another.

The locations are depicted on the plat attached as Exhibit A.

4. Pursuant to the requirements of Rule 318 a, wells to be drilled in excess of 2,500 feet are to be located not less than 600 feet from any lease line and not less than 1,200 feet from any other producible or drilling oil or gas well when drilling to the same common source of supply.
5. With respect to the J-Sand well to be drilled at Location No. 2, there are no lease line or well separation issues. With respect to the Niobrara well to be drilled at Location No. 2 there is no lease line issue, but the Location No. 2 Niobrara well will be located less than 1,200 feet from the Jones-Dupree #7 well, producing Niobrara well. See Exhibit A for the location of the Jones-Dupree #7 well and its distance from the planned Location No. 2 Niobrara well.
6. With respect to the two wells planned for Location No. 1, the following lease line and separation issues are present:

Location No. 1 is located approximately 289 feet from the lease line being the east-west half section line. See Exhibit A.

The Location No. 1 planned Niobrara well will be less than 1,200 feet from the Jones #6 well, that is a producing Niobrara well.

The Location No. 1 planned J-Sand well will be less than 1,200 feet from the Jones-Dupree #1 well, a producing J-Sand well located in the SW/4NE/4 of Section 26 and from the Jones #4 well, a shut-in J-Sand well located in the NE/4SE/4 of Section 26.

7. In addition to the lease line and separation issues described in paragraphs 5 and 6, the following lease line and separation issues exist with respect to wells already drilled and

producing on the land covered by the Leases. **(NOTE: the existing lease line and separation issues were not created by Applicant but existed at the time Applicant acquired the wells and Leases).**

The existing Jones #33-26 well is a J-Sand well located in the NW/4SE/4 of Section 26. That well is located less than 100 feet from the existing lease line being the east-west half section line. See Exhibit A.

The existing Jones #33-26 well is located less than 1,200 feet from the Jones-Dupree #1 well, a J-Sand well located in the SW/4NE/4 of Section 26 and the Jones-Dupree #3 well, a J-Sand well located in the SE/4NW/4 of Section 26. See Exhibit A.

The Jones-Dupree #1 and #3 wells were drilled in the 1960s while the Jones #33-26 well was drilled in August 1992. On information from the Commission records it does not appear that an exception location was obtained for the location of the Jones #33-26 well.

8. Consistent with the findings in the rulemaking that resulted in the adoption of Rule 318A and in order to protect the correlative rights of the owners of the landowners' and overriding royalty interests in and to production from the Sussex, J-Sand, Dakota, Codell and Niobrara formations in and under the land above described and to ensure that each such owner has the opportunity to recover his or her just and equitable share of the oil, gas and associated hydrocarbons produced and to be produced from the Sussex, J-Sand, Dakota, Codell and Niobrara formations, it is necessary to designate two 160-acre drilling and spacing units consisting of the SW/4 of Section 16 and the SE/4 of Section 17 described above.
9. In order to address all of the well location and separation issues described above, Applicant proposes that all of Section 26 above described be designated as the Rush Willadel Field for the production of oil, gas and associated hydrocarbons from all of the common sources of supply being the Cretaceous Age formations from the base of the Dakota to the surface to include the Niobrara and J-Sand formations, that the Commission establish four 160-acre drilling and spacing units for Section 26 consisting of each governmental quarter section within Section 26, that the existing wells located in Section 26 be deemed permitted wells and that Applicant's plans for the drilling of the wells planned for Location 1 and 2 be approved. Applicant further requests that the order provide that additional wells within each 160-acre drilling and spacing unit may be drilled at locations of operator's election and discretion as long as they are not closer than 600 feet from existing lease lines.
10. The relief requested is consistent with the drilling done to date on the land and with Applicant's geologic and engineering information for the land.
11. For the Commission's information, the ownership of the oil and gas in, on and under the N/2 of Section 26 is common and ownership of the oil and gas in, on and under the S/2 of Section 26 is common. Further, because Applicant is the owner of the working interests in and to the Leases, there are no other "owners," as defined by CRS § 34-60-101 to be notified of this Application.
12. For correlative rights purposes and because Applicant is the owner of the working interest in the Leases, notice of this Application will be given to the owners of the oil and gas in, on and under the N/2 of Section 26 because of the lease line encroachment of the existing Jones #33-26 well J-Sand well and the planned J-Sand and Niobrara wells to be drilled at location No. 1. To Applicant's knowledge and belief, there are no lease line encroachment issues from existing or planned wells in the N/2 of Section 26 being less than 600 feet from the S/2 of Section 26.
13. Granting the relief requested is necessary to protect correlative rights, to conserve oil and gas and to prevent waste as defined in the Colorado Oil and Gas Act, CRS § 34-60-101 et seq. by ensuring that recovery of oil and gas from the proposed Rush Willadel Field will be maximized by the drilling and completion of no more wells than are necessary for the efficient and economic recovery of the oil and gas resources in and under the land.

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 all of Section 26 above described be designated as the Rush Willadel Field for the production of oil, gas and associated hydrocarbons from the common sources of supply being all of the Cretaceous Age formations from the base of the Dakota to the surface to include the Niobrara and J-Sand formations,

- b. That the Commission establish four 160-acre drilling and spacing units for Section 26 consisting of each governmental quarter section within Section 26,
- c. That the existing wells located in Section 26 be deemed permitted wells within the 160-acre drilling and spacing units,
- d. That Applicant's planned J-Sand and Niobrara wells for Location Nos. 1 and 2 be approved,
- e. That additional wells within each 160-acre drilling and spacing unit may be drilled at locations of operator's election and discretion provided they are not closer than 600 feet from existing lease lines, and
- f. For such other and further relief as this Commission deems just and proper.

Dated this 11th day of April, 2005.

Respectfully Submitted,
 Merit Energy Company, Inc.

By: _____
 Keith M. Crouch, P.C.
 Its Attorney
 5015 Ingersoll Place
 Boulder, CO 80303
 303-929-7016 Telephone
 303-444-5624 Facsimile

STATE OF TEXAS)
) ss.
 COUNTY OF DALLAS)

Mark J. Goss, of lawful age, being first duly sworn upon oath, deposes and says that he is employed by Applicant, that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

 Mark J. Goss

Subscribed and sworn to before me this 11th day of April, 2005
 Witness my hand and official seal.

My commission expires: _____

 Notary Public