

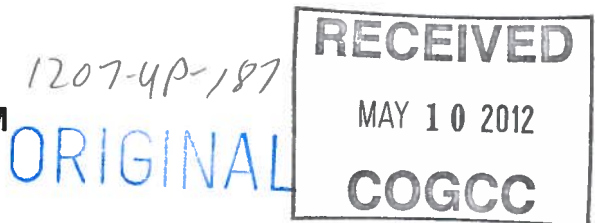
BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF
MINERAL RESOURCES, INC. FOR AN ORDER
POOLING INTERESTS IN THE NIOBRARA
FORMATION FOR A HORIZONTAL WELL
LOCATED IN A PORTION OF THE
WATTENBERG FIELD AND FOR THE
ESTABLISHMENT OF THE SIZE OF THE
DRILLING AND SPACING HORIZONTAL UNIT
FOR THE PRODUCTION OF OIL AND GAS FROM
THE NIOBRARA FORMATION
IN WELD COUNTY, COLORADO

CAUSE NO. 407-87,

DOCKET NO. _____

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COMES NOW, Mineral Resources, Inc., a Colorado corporation ("Applicant") by and through its attorney, Thomas J. Kimmell, P.C. and for its application for an order for the involuntary pooling of certain interests in production from the Niobrara formation in the lands described below pursuant to CRS § 34-60-116 and for an order establishing the size of a horizontal drilling and spacing unit implemented pursuant to Cause No. 407-87 and Rule 318A(l)(a)(4)(D), 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, R66W, 6th P.M., Weld County, Colorado
Section 2: N/2

2. The above-described lands are included within the area governed by the Greater Wattenberg Area Special Well Location Rule, Rule 318A (l) of the Commission rules and the Wattenberg spaced area for the production of oil and gas from the Niobrara formation (See Order No. 407-87 for the Niobrara formation).
3. Pursuant to Rule 318A(l)(a)(4)(D), where a drilling and spacing unit does not exist for a horizontal well, as in the present case, a horizontal wellbore spacing unit shall be designated by the operator for each proposed horizontal well. The horizontal wellbore spacing unit shall be comprised of the governmental quarter-quarter sections in which the wellbore lateral penetrates the productive formation as well as any governmental quarter-quarter sections that are located less than four hundred sixty (460) feet from the portion of the wellbore lateral that penetrates the productive zone regardless of section or quarter section lines. In the present case, the laterals of the proposed well will either penetrate or be located within 460 feet of eight quarter quarter sections comprising in total Section 2: N/2.
4. Applicant is not requesting the change of any established 80-acre drilling and spacing units or the established distribution of proceeds from any existing vertical Niobrara formation well. Applicant will allocate and distribute proceeds from the horizontal well on a 320-acre basis.
5. Applicant has received permits to drill the well from the Drill Site.
6. Consistent with the findings in the rulemaking that resulted in the adapted Rule 318A(l)(a)(4)(D) and in order to protect the correlative rights of the owners of the landowners' and overriding royalty interests in and to production from the Niobrara formation in and under the lands 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 Niobrara formation, it is necessary to designate the one 320-acre drilling and spacing unit consisting of the N/2 of Section 2 described above.
7. As set forth above, Applicant intends to drill 1 well to test the Niobrara formation in and under the N/2 of Section 2 above described and Applicant is proposing

one 1 well package for the Spacing Unit, due to the costs and risks of the overall project.

8. Due to the costs and risks associated with the proposed wells, the creation of one 320-acre drilling and spacing unit for the quarter section is necessary to ensure that each such owner has the opportunity to recover his, her or its just and equitable share of the oil, gas and other associated hydrocarbons produced and to be produced from the Niobrara formation in and under the N/2 of Section 2 above described.
9. Applicant owns and operates oil and gas leases and controls mineral interests in the N/2 of Section 2 above-described. A plat of the Spacing Unit is attached hereto as Exhibit A.
10. According to the title work completed by Applicant, the unleased interests in the N/2 of Section 2 are owned by the persons identified on Exhibit B attached hereto.
11. More than 30 days prior to the date this matter will be heard, by letters sent to the persons described in Exhibit B whose interest is unleased, Applicant offered to lease the interests in the oil and gas owned by those parties in the Spacing Unit. The letters included a proposed lease. A representative sample of the letter is attached hereto as Exhibit C.
12. 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.
13. In addition, in the letter containing the offer to lease described in paragraph 15, 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 one well currently planned for each Spacing Unit. The letters included the following information as required by Rule 530 of the Commission's rules:

The location and objective depths 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 dates 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.

14. More than 30 days prior to the date this matter 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 drilling and operating the one 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.
15. 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 Niobrara formation 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 N/2 of Section 2 above described be designated as a drilling and spacing unit for production of oil, gas and associated hydrocarbons from the Niobrara formation,

- b. That the unleased interests in the 320-acre drilling and spacing unit consisting of the N/2 of Section 2 described above in the Niobrara formation 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,
- c. Authorizing the production of oil, gas and associated hydrocarbons from the Niobrara formation from locations that are permitted by Rule 318A, and
- d. For such other and further relief as this Commission deems just and proper.

Dated this 3rd day of May, 2012.

Respectfully Submitted,

Mineral Resources, Inc.

By: Thomas J. Kimmell
 Thomas J. Kimmell, P.C.
 Its Attorney
 Zarlengo & Kimmell, PC
 1775 Sherman Street, Suite 1375
 Denver, CO 80203
 Phone: 303-832-6204
 Fax: 303-832-6401
 Email: Kimmell01@aol.com

STATE OF COLORADO)
) ss.
 COUNTY OF WELD)

Logan Richardson, 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.

Logan Richardson
 Logan Richardson

Subscribed and sworn to before me this 3rd day of May, 2012
 Witness my hand and official seal.

My commission expires: Nov. 17, 2014

Mary J. Metzger
 Notary Public



Exhibit "A"
Plat of Spacing Unit
Bestway 12-2 Well



Township 5 North, Range 66 West, 6th P.M.
Section 2: N/2
City of Greeley, County of Weld, State of Colorado

Exhibit "B"

List of Non-Consenting Owners

Full Name	Address 1	Address 2	City	State	Zip
Stephen H Moore And Janet L Moore	208 43 AVE		GREELEY	CO	80634
Pender Family Trust	214 43 AVE		GREELEY	CO	80634
Susan Sheetz	239 41 AVE		GREELEY	CO	80634
David A Aragon And Maria Rosa Aragon	231 41 AVE		GREELEY	CO	80634
David W Mathis And Sandra L Mathis And Dan J Mathis And Mary Virginia Mathis	215 41 Ave		GREELEY	CO	80634
Johnna L Rawlings	216 42 AV		GREELEY	CO	80634
Jose Barraza And Morales Mary	208 42 AV		GREELEY	CO	80634
Shelli D Bahr	224 42 AVE		GREELEY	CO	80634
David L Harms And Kathy K Harms	201 43 AVE		GREELEY	CO	80634
Gary G Dederick And Darlene K Dederick	206 N 43 AVE		GREELEY	CO	80634
Loyal D Gallatin And Judy R Gallatin	104 N 43 AVE		GREELEY	CO	80634
Geraldine McDonald And Michael John Weber And Barbara Jean Pickett	205 North 43rd Avenue		Greeley	CO	80634
Danny L Rockwell And Cheryl A Rockwell	102 43 AVE		GREELEY	CO	80634
Wilford Talmadge And Susan Talmadge	103 N 43 AVE		GREELEY	CO	80634
Mary M Beard	209 42 AVE		GREELEY	CO	80634
Jayne L Hagan	107 43 AV		GREELEY	CO	80634
Thomas C Lang And Heather L Lang	106 43 AVE		GREELEY	CO	80634
Mark A Gryboski And Teresa A Simpson	307 N 43 AVE		GREELEY	CO	80634
Sandra A Abernathy And Robert Storey	313 N 43 AVE		GREELEY	CO	80634
James E Medina And Monica J Medina	PO box 142		Gill	CO	80624
Bernice E Camenisch	1112 OAKRIDGE DR STE 104-288		FT COLLINS	CO	80525
Beverly S Morita	244 43 AVE		GREELEY	CO	80634
Charles E Sargent And Darlene A Sargent	236 43RD AV		GREELEY	CO	80634
Christopher J Shovlin And Sherri L Shovlin	227 42 AVE		GREELEY	CO	80634
Greg Boehm And Marilyn Boehm	232 43 AVE		GREELEY	CO	80634
Isidro L De La Rosa	213 42 AVE		GREELEY	CO	80634
Jeffrey S Smith And Leah K Smith	119 N 42 AVE		GREELEY	CO	80634
Mary M Powell And Stephen B Powell	107 N 42ND AVE		GREELEY	CO	80634
Michael M Matz And Debra J Hjelle	237 42 AVE		GREELEY	CO	80634
Trent Wortman	301 42 AV		GREELEY	CO	80624
David Stang And Hope Stang	210 N 43 AVE		GREELEY	CO	80634
Mary Ann Trujillo And Manuel Saenz	225 43 AVE		GREELEY	CO	80634
E. Georgine Brinkman	245 43 AVE		GREELEY	CO	80634
Chester C Crouse And Norma J Crouse	308 N 43 AV		GREELEY	CO	80634
Gerry L Morris And Lovice J Morris	105 42ND AVENUE		GREELEY	CO	80634
Walter W Marx And Melinda K Marx	229 43 AVE		GREELEY	CO	80634
Gregory K Gabel And Linda H Gabel	241 43RD AV		GREELEY	CO	80634
Gerard J Karlin And Nancy J Karlin	231 43 AVE		GREELEY	CO	80634
Richard Y Lara And Roxanne Lara	239 43RD AVE		GREELEY	CO	80634
Manuel O Naranjo And Kathleen R Naranjo	212 N 42ND AVE		GREELEY	CO	80634
Alan Lee Pettyjohn	204 N 42 AVE		GREELEY	CO	80634
Barbara Colwell And J David	104 42 AVE		GREELEY	CO	80634

Colwell					
Esther M Alles And Phillip H Alles	4110 3 ST		GREELEY	CO	80631
William E Sayles And Sandra L Sayles	106 N 42 AVE		GREELEY	CO	80634
Timothy R Ouellette And Vicki L Ouellette	203 42 AVE		GREELEY	CO	80634
Michael S Brown And Stacy L Brown	320 N 43 AVE		GREELEY	CO	80634
Gerald M Miyoshi And Miyoshi Iris	249 43RD AVE		GREELEY	CO	80634-1162
Steven C Printz And Theresa D Printz	4023 W 2 ST		GREELEY	CO	80634
Dennis L Kindred And Roberta J Kindred	317 N 42ND AVENUE		GREELEY	CO	80634
Carl A Gooding And Hester Gooding	314 N 43 AVE		GREELEY	CO	80634
Julie S Nagata	316 N 42ND AAVENUE		GREELEY	CO	80634
Lenny L Phillips And Korina K Phillips	307 42 AV		GREELEY	CO	80634
Beverly B Anderson And David P Anderson	110 N 42 AVE		GREELEY	CO	80634
Daniel P Schneider And Jamie L Schneider	300 41 AVE		GREELEY	CO	80634
Larry Phillip Holder And Betsy D Holder	202 41 AVE		GREELEY	CO	80634
Jerry Blake And Margaret Blake	230 41 AV		GREELEY	CO	80634
Dave S Williamson And Sherry R Williamson	319 N 43 AVE		GREELEY	CO	80634
Jeremy A Hart	4035 W 4TH ST		GREELEY	CO	80634
Tracy Sue Trentlage	3914 B ST		GREELEY	CO	80634
Steven Clyde Nale And Sheree L Nale	118 40TH AVE		GREELEY	CO	80634
Ronald G Johnson And Gloria J Johnson	222 40 AV		GREELEY	CO	80634
Gene R Brantner And Carol A Brantner	307 40 AVE		GREELEY	CO	80634
Brian L Stoll	320 40 AVE		GREELEY	CP	80634
David E Trevarton And Ann L Trevarton	108 40TH AVE		GREELEY	CO	80634
Bart A Petersen	217 N 40TH AVE		GREELEY	CO	80634
Feng Chin Huang And Liang Hsiung Huang	107 40 AVE		GREELEY	CO	80634
Jack L Hough And Shirley L Hough	203 N 40TH AVE		GREELEY	CO	80634
Kurt Weaver	225 N 40 AVE		GREELEY	CO	80631
Mark E Ulrich And Jamie J Ulrich	219 40 AVE		GREELEY	CO	80634
Michele L Williams And Scott A Williams	115 N 40 AVE		GREELEY	CO	80634
James Brian Hill And Heather Lea Hill	8519 146TH PL SE		NEWCASTLE	WA	98059-9268
Sandra A Ford	200 Chambers St Unit 17		El Cajon	CA	92020
Ronald Redfern And Jodie R Redfern	111 38 AVE		GREELEY	CO	80634
John Roedel	104 38 AVE		GREELEY	CO	80634
Marvin Z Kark	410 17th Street, #1110		Denver	CO	802024441
Lowell One LLC And Lowell Two LLC	C/O MARILYN BUNN	10305 DICKENS AVE	BETHESDA	MD	20814

Exhibit "C"
Representative Sample of Letter



MINERAL RESOURCES, INC.

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

April 27, 2012

Wilford Talmadge
103 N 43 AVE
GREELEY, CO 80634

RE: Bestway 12-2 - HORIZONTAL WELL PROPOSAL
Weld County, Colorado

Dear Wilford Talmadge and Susan Talmadge:

I am writing on behalf of Mineral Resources, Inc., a Greeley, Colorado based oil and gas exploration company. You may have already been contacted by us with respect to leasing or selling your mineral interest. The purpose of this letter is to provide you with notice of your right to participate in the Bestway 12-2 well.

Mineral Resources, Inc. hereby proposes the drilling of the Bestway 12-2 well (the "Well") on a horizontal basis to an approximate depth of 6850' to test the Niobrara formation.

The details of the Well and the associated Unit are described as follows:

- 1. Spacing Unit:**
The spacing unit will be comprised of the N/2 of Section 2, T5N, R66W, Weld County Colorado (the "Unit").
- 2. Surface Location:**
SE/4NE/4 of Section 2, T5N, R66W – 2399' FNL and 1180' FEL of said Section 2.
Located West of 35th Avenue and North of West 4th Street in the Bestway gravel pit in the City of Greeley, Colorado.
- 3. Bottom Hole Location:**
Start – 1340' FNL and 460' FEL of Section 2, T5N, R66W.
End – 1341' FNL and 460' FEL of Section 2, T5N, R66W.
The lateral of the Well is intended to penetrate and traverse within the Niobrara formation, on a East-West basis, the N/2 of Section 2, T5N, R66W.
- 4. Anticipated Spud Date:**
May 15, 2012 – This date is an estimated spud date.
- 5. Authority for Expenditure ("AFE"):**

The estimated costs to drill, complete and equip the Bestway 12-2 well are set forth in the AFE.

As an owner of a mineral interest, you have several options of participation from which to choose. The options are as follows:

Oil and Gas Lease - We have enclosed for your review and execution an Oil and Gas Lease. This lease contains terms consistent with the prevailing rate being offered in the area in providing for a 14% royalty interest in proportion to your acreage and a five (5) year primary term. As consideration for signing the lease Mineral Resources will pay you \$300.00 per net acre upon the receipt of a signed and notarized oil and gas lease.

Mineral Quit Claim Deed - As a second option, you may sell your interest to Richmark Development, LLC, an affiliate company of Mineral Resources. Please call our offices for more information regarding a one-time buyout offer at 970-352-9446.

Participate as a Working Interest Owner - As an alternative to leasing or selling your mineral interest, you may participate as a working interest owner and bear your proportionate share of the costs and risks of the drilling and operating of the Well within the Unit. We have attached an Authority for Expenditure, which estimates a completed well cost of \$4,808,355 for the Well. 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. Your estimated cost to participate as a Working Interest Owner is \$865. THE ACTUAL COST OF THE WELL MAY BE MORE OR LESS THAN THE AMOUNT ESTIMATED IN THE AFE and IF THE COSTS EXCEED THE AMOUNT OF THE AFE, YOU WILL BE LIABLE FOR YOUR PORPORTIONATE SHARE OF THE EXCESS COST and FOR YOUR SHARE OF OPERATING EXPENSES.

If you elect to participate as a Working Interest Owner in the Well, you must indicate your election regarding participation and return the enclosed executed Election Letter, a signed AFE and payment in the amount of \$865 to Mineral Resources within thirty (30) days from receipt of this notice.

If you do not sign and return either the enclosed Oil and Gas Lease or the signed election letter with each of the above mentioned items you will be considered a non-consenting owner in the operation. Please indicate your election regarding your participation on the third page of this notice.

Please call me at 970-352-9446 with any questions regarding this proposal so that they may be resolved within the next thirty (30) days.

Sincerely,

MINERAL RESOURCES, INC.



Amy Boyd

PARTICIPATION ELECTION
Bestway 12-2 (Well)
N/2 of Section 2, T5N, R66W (Unit)

- Wilford Talmadge and Susan Talmadge elects to lease his/her/its/their interest to Mineral Resources, Inc. and has included herewith a fully executed Oil and Gas Lease.
- Wilford Talmadge and Susan Talmadge elects to participate as a Working Interest Owner in the Well to be located in the Unit above described.
- Wilford Talmadge and Susan Talmadge elects not to participate in the Well to be located in Unit above described.

Signed this ____ day of _____, 2012

Wilford Talmadge

Susan Talmadge

OIL AND GAS LEASE

This Oil and Gas Lease ("Lease") is made this _____ day of _____, 2012 by and between WILFORD TALMADGE AND SUSAN TALMADGE whose address is 103 N 43 AVE GREELEY, CO 80634, ("Lessor", whether one or more) and MINERAL RESOURCES, INC., whose address is P.O. BOX 328, GREELEY, COLORADO 80632 ("Lessee").

WITNESSETH, For and in Consideration of TEN DOLLARS, the covenants and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, Lessor does hereby grant, demise, lease and let exclusively unto said Lessee, with the exclusive rights for the purposes of mining, exploring by geophysical and other methods and operating for and producing therefrom oil and all gas of whatsoever nature or kind (including coalbed gas), and laying pipelines, telephone and telegraph lines, building tanks, plants, power stations, roadways and structures thereon to produce, save and take care of said products (including dewatering of coalbed gas wells), and the exclusive surface or subsurface rights and privileges related in any manner to any and all such operations, and any and all other rights and privileges necessary, incident to, or convenient for the operation alone or conjointly with neighboring land for such purposes, all that certain tract or tracts of land situated in Weld County, Colorado, described to wit:

TOWNSHIP 5 NORTH, RANGE 66 WEST, 6TH P.M.

SECTION 2: PART OF THE NW/4 BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

GR 4LA3-8 Lot 2 LARSON SUB 4TH REPLAT OF Lot 7 & 8, Block 3, LARSON SUB 4TH FILING 103 43 Avenue
Greeley, Colorado
INCLUDING ANY STRIPS OR PARCELS OF LAND CONTIGUOUS THERETO OR IN SAID SECTION.
CONTAINING 0.0576 NET ACRES, MORE OR LESS (the "Premises")

Notwithstanding anything to the contrary herein contained, this lease is a "No Surface Occupancy" Oil and Gas Lease. It is agreed and understood that Lessee its successors or assigns shall not conduct any operations or locate any facilities on the surface of the leased lands. It is understood that Lessee, its successors or assigns shall not be allowed any access to the surface of the leased lands without written consent of Lessor. It is further agreed that Lessee shall have the right to drill and operate directional wells through and under said land irrespective of the bottom hole locations of said wells. To this end, Lessor hereby grants to Lessee a subsurface easement for all purposes associated with such directional wells.

1. It is agreed that this Lease shall remain in full force for a term of five (5) years from this date ("Primary Term") and as long thereafter as oil or gas of whatsoever nature or kind is produced from the Premises or on acreage pooled or unitized therewith, or operations are continued as hereinafter provided. At any time during the Primary Term of this Lease, Lessee, at its option may make tender to Lessor payment in the amount of \$100 per net mineral acre, thereby extending the Primary Term of this Lease by an additional five (5) years. If, at the expiration of the Primary Term, oil or gas is not being produced from the Premises or on acreage pooled or unitized therewith but Lessee is then engaged in drilling, reworking or dewatering operations thereon, then this Lease shall continue in force so long as such operations are being continuously prosecuted. Operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on the Premises or on acreage pooled or unitized therewith, the production thereof should cease from any cause after the primary term, this Lease shall not terminate if Lessee commences additional drilling, reworking or dewatering operations within ninety (90) days from date of cessation of production or from date of completion of a dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the Primary Term, this Lease shall continue in force so long as oil or gas is produced from the Premises or on acreage pooled or unitized therewith.

2. This is a PAID-UP LEASE. In consideration of the payment made herewith, Lessor agrees that Lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the Primary Term surrender this Lease as to all or any portion of the Premises and as to any strata or stratum, by delivering to Lessor or by filing for record a release or releases, and be relieved of all obligations thereafter accruing as to the acreage surrendered.

3. The royalties to be paid by Lessee are: (a) on oil and other liquid hydrocarbons, 14% of that produced and saved from said land, the same to be delivered at the wells, or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefore prevailing for the field where produced on the date of purchase; (b) on gas and the constituents thereof produced from said land and sold or used off the premises or in the manufacture of products therefrom, the market value at the well of 14% of the product sold or used. On product sold at the well, the royalty shall be 14% of the net proceeds realized from such sale. All royalties paid on gas sold or used off the premises or in the manufacture of products therefrom will be paid after deducting from such royalty Lessor's proportionate amount of all post-production costs, including but not limited to gross production and severance taxes, gathering and transportation costs from the wellhead to the point of sale, treating, compression, and processing. On product sold at the well, the royalty shall be 14% of the net proceeds realized from such sale, after deducting from such royalty Lessor's proportionate amount of all of the above post-production costs and expenses, if any.

4. Where gas from a well capable of producing gas (or from a well in which dewatering operations have commenced), is not sold or used after the expiration of the Primary Term, Lessee shall pay or tender as royalty to Lessor at the address set forth above One Dollar (\$1.00) per year per net mineral acre, such payment or tender to be made on or before the anniversary date of this Lease next ensuing after the expiration of ninety (90) days from the date such well is shut in or dewatering operations are commenced and thereafter on or before the anniversary date of this Lease during the period such well is shut in or dewatering operations are being conducted.

5. If Lessor owns a lesser interest in the Premises than the entire and undivided fee simple estate therein, then the royalties (including any shut-in gas royalty) herein provided for shall be paid Lessor only in the proportion which Lessor's interest bears to the whole and undivided fee.

6. Lessee shall have the right to use, free of cost, gas, oil and water produced on the Premises for Lessee's operations thereon, except water from the wells of Lessor.

7. When requested by Lessor, Lessee shall bury Lessee's pipeline below plow depth.

8. No well shall be drilled nearer than 200 feet to the house or barn now on the Premises without written consent of Lessor.

9. Lessee shall pay for damages caused by Lessee's operations to growing crops on the Premises.

10. Lessee shall have the right at any time to remove all machinery and fixtures (including casing) Lessee has placed on the Premises.

11. The rights of the Lessor and Lessee hereunder may be assigned in whole or part. No change in ownership of Lessor's interest (by assignment or otherwise) shall be binding on Lessee until Lessee has been furnished with notice, consisting of certified copies of all recorded instruments or documents and other information necessary to establish a complete chain of record title from Lessor, and then only with respect to payments thereafter made. No other kind of notice, whether actual or constructive, shall be binding on Lessee. No present or future division of Lessor's ownership as to different portions or parcels of the Premises shall operate to enlarge the obligations or diminish the rights of Lessee, and all Lessee's operations may be conducted without regard to any such division. If all or any part of this Lease is assigned, no leasehold owner shall be liable for any act or omission of any other leasehold owner.

12. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production, as to all or any part of the Premises and as to any one or more of the formations thereunder, to pool or unitize the leasehold estate and the mineral estate covered by this Lease with other land, lease or leases in the immediate vicinity for the production of oil and gas, or separately for the production of either, when in Lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise units previously formed to include formations not producing oil or gas may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by Lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling, reworking or dewatering operations or a well shut in for want of a market anywhere on a unit which includes all or a part of this Lease shall be treated as if it were production, drilling, reworking or dewatering operations or a well shut in for want of a market under this Lease. In lieu of the royalties elsewhere herein specified, including shut-in gas royalties, Lessor shall receive royalties on production from such unit only on the portion of such production allocated to this Lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this Lease and included in the Unit bears to the total number of surface acres in such Unit. In addition to the foregoing, Lessee shall have the right to unitize, pool, or combine all or any part of the Premises as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this Lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this Lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this Lease shall not terminate or expire during the life of such plan or agreement. In the event that the Premises or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to Lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and royalty payments to be made hereunder to Lessor shall be based upon production only as so allocated. Lessor shall formally express Lessor's consent to any cooperative or unit plan of development or operation adopted by Lessee and approved by any governmental agency by executing the same upon request of Lessee.

13. All express or implied covenants of this Lease shall be subject to all Federal and State Laws, Executive Orders, Rules or Regulations, and this Lease shall not be terminated, in whole or in part, nor Lessee held liable in damages, for failure to comply therewith if compliance is prevented by, or if such failure is the result of,

any such Law, Order, Rule or Regulation. Any delay or interruption caused by storm, flood, act of God or other event of force majeure shall not be counted against Lessee. If, due to the above causes or any cause whatsoever beyond the control of Lessee, Lessee is prevented from conducting operations hereunder, such time shall not be counted against Lessee, and this Lease shall be extended for a period of time equal to the time Lessee was so prevented, anything in this Lease to the contrary notwithstanding.

14. Lessor hereby agrees that the Lessee shall have the right at any time to redeem for Lessor by payment any mortgages, taxes or other liens on the above described lands, in the event of default of payment by Lessor, and be subrogated to the rights of the holder thereof, and the undersigned Lessors, for themselves and their heirs, successors and assigns, hereby surrender and release all right of dower and homestead in the Premises, insofar as said right of dower and homestead may in any way affect the purposes for which this Lease is made, as recited herein.

15. Should any one or more the parties named as Lessor herein fail to execute this Lease, it shall nevertheless be binding upon all such parties who do execute it as Lessor. The word "Lessor", as used in this Lease, shall mean any one or more or all of the parties who execute this Lease as Lessor. All the provisions of this Lease shall be binding on the heirs, successors and assigns of Lessor and Lessee.

16. If at any time within the primary term of this lease and while the same remains in force and effect, Lessor receives any bona fide offer, acceptable to Lessor, to grant an additional lease (top lease) covering all or part of the aforescribed lands, lessee shall have the continuing option by meeting any such offer to acquire such top lease. Any offer must be in writing, and must set forth the proposed Lessee's name, bonus consideration and royalty consideration to be paid for such lease, and include a copy of the lease form to be utilized which form should reflect all pertinent and relevant terms and conditions of the top lease. Lessee shall have fifteen (15) days after receipt, from Lessor, of a complete copy of any such offer to advise Lessor in writing of its election to enter into an oil and gas lease with Lessor on equivalent terms and conditions. If Lessee fails to notify Lessor within the aforesaid fifteen (15) day period of its election to meet any such bona fide offer, Lessor shall have the right to accept said offer.

IN WITNESS WHEREOF, this instrument is executed as of the date first above written.

 Wilford Talmadge

 Susan Talmadge

STATE OF _____)
) SS.
 COUNTY OF _____)

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this _____ day of _____ 2012 , personally appeared Wilford Talmadge and Susan Talmadge, to me known to be the identical persons described in and who executed the within and foregoing instrument of writing, acknowledged to me that they duly executed the same as their free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires _____

 Notary Public.

When recorded return to:

Mineral Resources, Inc.
 P.O. Box 328
 Greeley, CO 80632

**AUTHORITY FOR EXPENDITURE
DRILL & COMPLETE
AFE #MRI - Bestway 12-2 (H)
PAGE 1/2**

PROJECT:	Bestway Project - Bestway 12-2 Well - Weld, Colorado		
LOCATION:	N/2 of Sec 2, 5N 66W		
DESCRIPTION:	Drill, Frac & Equip Horizontal Niobrara	12,200' MD TD	
	9 5/8" @ 1500', 7" @ 8500', 4 1/2" @ TD		
	Assumes no preset surface		

DRILLING INTANGIBLES			
1.001	SURVEY & STAKING		\$5,000
1.002	PERMITS & FEES		\$1,000
1.003	LOCATION & ACCESS ROAD		\$37,500
1.004	SURFACE DAMAGE PAYMENT		\$7,500
1.005	LEGAL & TITLE WORK		\$25,000
1.006	DRILLING RIG MOBILIZATION/DEMobilIZATION	excess	\$12,500
1.007	DRILLING RIG TURNKEY		
1.008	DRILLING RIG FOOTAGE	n/a	
1.009	DRILLING RIG DAYWORK	Turnkey days @	\$752,575
1.010	DRILL BITS	13 1/2", 8 3/4", 6" TRKY	\$0
1.011	FUEL & POWER	17 days @ \$540	\$9,180
1.012	CEMENTING SERVICES	Surface & Intermediate	\$47,000
1.013	CASING CREW	Surface & Intermediate TRKY	\$0
1.014	FORMATION TESTING	DST's @	\$0
1.015	CORING/CORE ANALYSIS	n/a	
1.016	MUD LOGGING	9 days @ \$1,500	\$13,500
1.017	DRILLING WATER		\$25,000
1.018	DRILLING FLUIDS		\$60,000
	CLOSED LOOP MUD SYSTEM	TRKY	\$0
1.019	MUD DISPOSAL		\$10,000
1.020	EQUIPMENT RENTAL (Surface)	0 days @ TRKY	\$0
	EQUIPMENT RENTAL (Downhole)	17 days @ \$5,000	\$85,000
	EQUIPMENT RENTAL (Drill-String)		
1.021	ENGINEERING SUPERVISION	10 days @ \$1,500	\$15,000
1.022	GEOLOGICAL SUPERVISION	8 days @ \$1,000	\$8,000
1.023	ADMINISTRATIVE OVERHEAD		
1.024	OPENHOLE LOGS		\$35,000
1.025	TRUCKING		\$35,000
1.026	CONTRACT LABOR		\$15,000
1.027	INSPECTION/CORROSION SERVICES		\$3,500
1.028	FISHING SERVICES		
1.029	LOCATION RESTORATION		\$20,000
1.030	LIABILITY INSURANCE		\$8,500
1.031	AIR DRILLING PACKAGE		
1.032	DIRECTIONAL (controlled vertical)	3 days @ TRKY	\$0
	DIRECTIONAL (curve)	2 days @ TRKY	\$0
	DIRECTIONAL (lateral)	7 days @ TRKY	\$0
	DIRECTIONAL (standby)	3 days @ TRKY	\$0
	DIRECTIONAL (per job)		\$0
1.034	CAMP FACILITIES	0 days @ \$500	\$0
	Fresh water & septic	0 days @ \$150	\$0
1.035	STRAIGHT HOLE MOTOR RENTAL	n/a	\$0
1.090	ADDITIONAL ENVIRONMENTAL EXPENDITURE	TRKY sanilets, trash	\$0
DRILLING TANGIBLES			
2.001	SURF. CASING	9 5/8" 36# 1500 ft @ \$15.80	\$23,700
2.002	INT. CASING	7" 29# P11C 8500 ft @ \$27.50	\$233,750
2.003	CASING HEAD		\$5,000
2.004	CONDUCTOR PIPE/RATHOLE DRILLING		

TOTAL DRILLING INTANGIBLES		\$1,230,755
TOTAL DRILLING TANGIBLES		\$262,450
TAXES & CONTINGENCIES	10.0%	\$149,321

TOTAL DRILLING COST		\$1,642,526
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DAYS	
MIRU	0
SURFACE	1.5
VERTICAL	2
LOG	0
CURVE	2
SET CSG	1
SWAP PIPE	1
LATERAL	4
COMPLETE	2
RDMO	0
TOTAL	13.5

**AUTHORITY FOR EXPENDITURE
DRILL & COMPLETE
AFE #MRI - Bestway 12-2 (H)
PAGE 2/2**

PROSPECT: Bestway Project - Bestway 12-2 Well - Weld, Colorado
 LOCATION: N/2 of Sec 2, 5N 66W
 DESCRIPTION: Drill, Frac & Equip Horizontal Niobrara
 9 5/8" @ 1500', 7" @ 8500', 4 1/2" @ TD

COMPLETION INTANGIBLES

3.000	DRILLING RIG DAYWORK	1 days @	\$19,900 / day	\$19,900
1.010	DRILL BITS	6" rental mill		\$3,000
3.001	CEMENTING SERVICES			
3.002	CASING CREW			\$12,000
3.003	PERFORATING & LOGGING	CBL 7"		\$4,000
3.004	MISCELLANEOUS WIRELINE			
3.005	COMPLETION FLUIDS	KCL for workover		\$5,000
3.006	STIMULATION	(20 stages)		\$1,505,902
	COILTUBING			\$125,000
3.007	TANK HAULING & RENTAL	12 @	\$500	\$6,000
	WATER STORAGE RENTAL & SET UP			\$60,000
3.008	COMPLETION RIG	3 days @	\$4,500 / day	\$13,500
3.009	CONTRACT LABOR			\$10,000
3.010	COMP. SUPERVISION	10 days @	\$1,250	\$12,500
3.011	COMP. OVERHEAD			
3.012	WATER HAUL (Fill tanks)	12 @	\$725	\$8,700
	WATER HAUL (Fill Storage)			\$65,000
	WATER HAUL (Disposal)	20000 @	\$3.00	\$60,000
3.013	LOCATION DIRT WORK	Cleanup & rig anchors		\$5,000
3.014	EQUIPMENT RENTAL (Surface)	MANIFOLD, MANLIFT LIGHT TOWER		\$20,000
	EQUIPMENT RENTAL (Downhole)	FRAC STRING		\$29,000
3.015	INSPECTION SERVICES			\$1,000
3.016	FLOWBACK LABOR	6 @	\$4,500	\$27,000
3.017	TRUCKING & HAULING			\$15,000
3.019	FISHING SERVICES			
	CONSULTING			\$12,000
3.100	MISC. COMPLETION COSTS	clean tanks, etc.		\$10,000

COMPLETION TANGIBLES

5.000	PRODUCTION CSG	4 1/2"11.6# P110	4500	ft @	\$11.25	\$50,625
5.001	PRODUCTION TUBING	2 7/8" 6.5# N-80	7700	ft @	\$7.00	\$53,900
5.002	SUCKER RODS		0	ft @		\$0
5.003	LINER HANGER	PackersPlus + service hands				\$25,000
5.004	CSG HEAD/TBG HEAD/VALVES					\$15,000
5.005	PUMPING UNIT					
5.006	PRIME MOVER					
5.007	SEP/TREATER	2 units				\$80,000
5.008	DEHYDRATOR					
5.009	STORAGE TANKS	4 x 400 bbl	2 x 400 BBL H2O			\$75,000
5.010	VALVES & FITTINGS					\$30,000
5.011	FLOWLINES & CONNECTIONS					\$25,000
5.012	ELECTRICAL EQUIPMENT					\$20,000
5.013	ARTIFICIAL LIFT EQUIPMENT					\$3,000
5.014	COMPRESSION EQUIPMENT	VRU				\$35,000
	ECD					\$60,000
5.090	BATTERY INSTALLATION					\$50,000
5.095	SUBSURFACE EQUIP. (Ext Liner Packers)	20	ea @	\$16,300.00		\$326,000
	(above price includes auxiliary equip)					

TOTAL COMPLETION INTANGIBLES	\$2,029,502
TOTAL COMPLETION TANGIBLES	\$848,525
TAXES & CONTINGENCIES	10% \$287,803

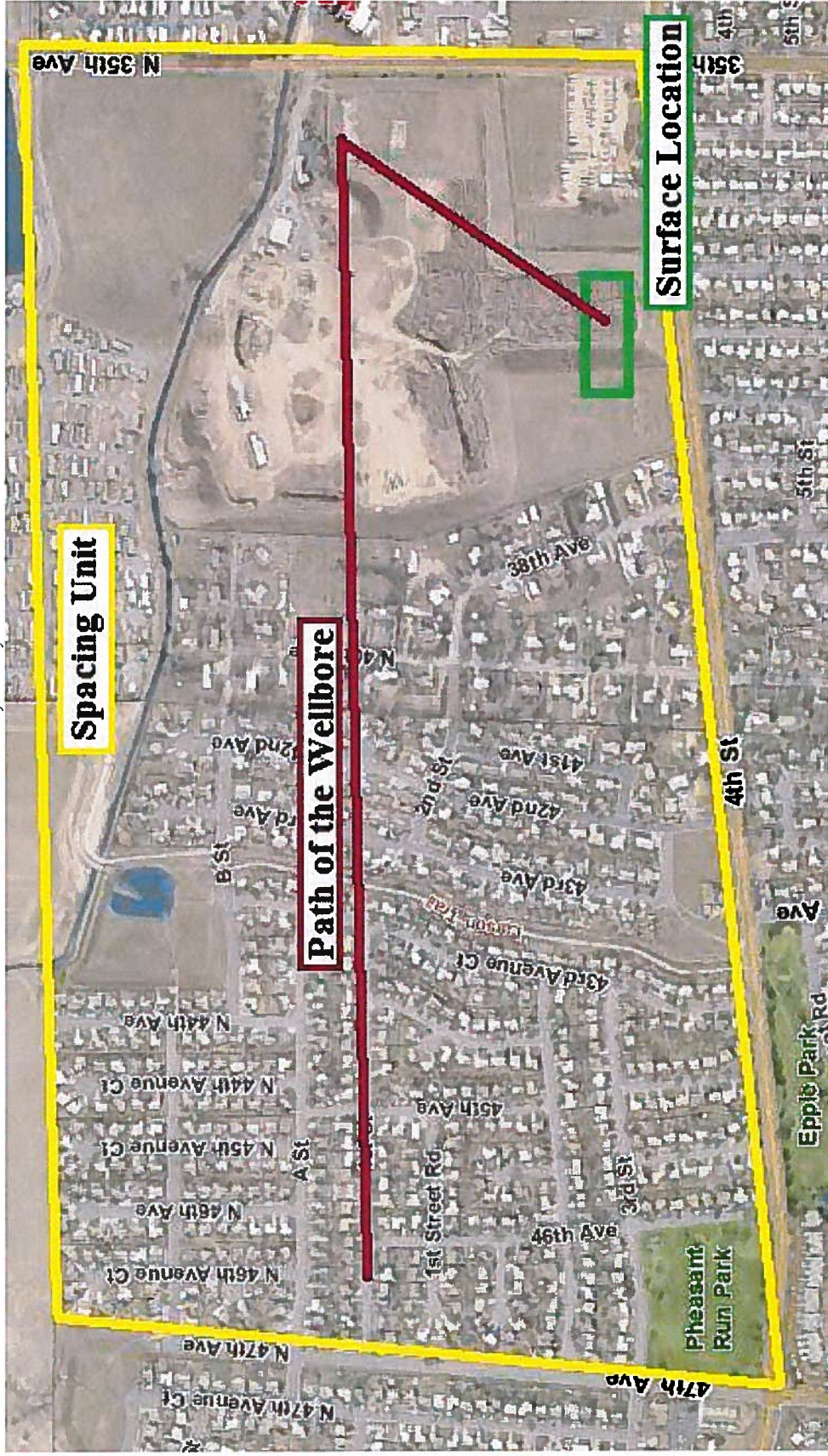
TOTAL COMPLETION COST	\$2,878,027
TOTAL DRILLING COST	\$1,493,205
TOTAL CONTINGENCY COST	\$437,123
TOTAL COMPLETED WELL COST	\$4,808,355

Mineral Resources, Inc. Prepared by: ASP Date: 05-Mar-12

Company: _____
 By: _____
 Title: _____
 Date: _____

Cost estimate only, Working Interest Owners will be billed actual cost.

Bestway 12-2 Well
N/2 of Section 2, T5N, R66W



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



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 AND
FOR THE MODIFICATION OF THE SIZE OF
CERTAIN DRILLING AND SPACING UNITS FOR
THE PRODUCTION OF OIL AND GAS FROM
CERTAIN OF THE CRETACEOUS FORMATIONS
IN WELD COUNTY, COLORADO

CAUSE NO. 318A,

DOCKET NO. ____

CAUSE NO. 407

DOCKET NO. ____

ORIGINAL

CERTIFICATE OF MAILING

I hereby certify that I have on this 10th day of May, 2012, served a copy of the Pooling Application on the interested parties whose addresses are indicated below:

Stephen H Moore And Janet L Moore
208 43 AVE
GREELEY, CO 80634

Pender Family Trust
214 43 AVE
GREELEY, CO 80634

Susan Sheetz
239 41 AVE
GREELEY, CO 80634

David A Aragon And Maria Rosa Aragon
231 41 AVE
GREELEY, CO 80634

David W Mathis And Sandra L Mathis And Dan J Mathis And
Mary Virginia Mathis
215 41 Ave
GREELEY, CO 80634

Johnna L Rawlings
216 42 AV
GREELEY, CO 80634

Jose Barraza And Morales Mary
208 42 AV
GREELEY, CO 80634

Shelli D Bahr
224 42 AVE
GREELEY, CO 80634

David L Harms And Kathy K Harms
201 43 AVE
GREELEY, CO 80634

Gary G Dederick And Darlene K Dederick
206 N 43 AVE
GREELEY, CO 80634

Loyal D Gallatin And Judy R Gallatin
104 N 43 AVE
GREELEY, CO 80634

Geraldine McDonald And Michael John Weber And Barbara Jean
Pickett
205 North 43rd Avenue
Greeley, CO 80634

Danny L Rockwell And Cheryl A Rockwell
102 43 AVE
GREELEY, CO 80634

Wilford Talmadge And Susan Talmadge
103 N 43 AVE
GREELEY, CO 80634

Mary M Beard
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GREELEY, CO 80634

Jayne L Hagan
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GREELEY, CO 80634

Thomas C Lang And Heather L Lang
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Mark A Gryboski And Teresa A Simpson
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GREELEY, CO 80634

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PO box 142
Gill, CO 80624

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FT COLLINS, CO 80525

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Trent Wortman
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E. Georgine Brinkman
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Gerry L Morris And Lovice J Morris
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GREELEY, CO 80634

Walter W Marx And Melinda K Marx
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Gregory K Gabel And Linda H Gabel
241 43RD AV
GREELEY, CO 80634

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GREELEY, CO 80634

Brian L Stoll
320 40 AVE
GREELEY, CP 80634

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Bart A Petersen
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Feng Chin Huang And Liang Hsiung Huang
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Kurt Weaver
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Michele L Williams And Scott A Williams
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James Brian Hill And Heather Lea Hill
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NEWCASTLE, WA 98059-9268

Sandra A Ford
200 Chambers St Unit 17
El Cajon, CA 92020

Ronald Redfern And Jodie R Redfern
111 38 AVE
GREELEY, CO 80634

Francis O Towns
210 GARNET ST
BROOMFIELD, CO 80020-2205

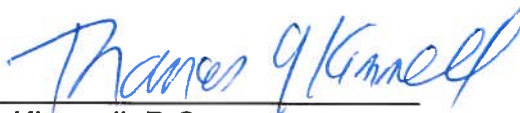
John Roedel
104 38 AVE
GREELEY, CO 80634

Marvin Z Kark
410 17th Street, #1110
Denver, CO 802024441

Lowell One LLC And Lowell Two LLC
C/O MARILYN BUNN
10305 DICKENS AVE
BETHESDA, MD 20814

ZARLENGO & KIMMELL, PC.

By: _____



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Denver, CO 80203
Phone: 303-832-6204
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