

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

IN THE MATTER OF THE APPLICATION OF CAERUS)
PICEANCE LLC FOR AN ORDER TO ESTABLISH A)
DRILLING AND SPACING UNIT AND ESTABLISH)
DENSITY AND SETBACK RULES FOR THE)
WILLIAMS FORK AND ILES FORMATIONS, GRAND)
VALLEY FIELD, LOCATED IN THE NW/4 OF)
SECTION 24 (NORTH OF THE COLORADO RIVER),)
TOWNSHIP 7 SOUTH, RANGE 96 WEST, GARFIELD)
COUNTY, COLORADO)

CAUSE NO. 510

DOCKET NO. 1310-SP-_____

VERIFIED APPLICATION

Caerus Piceance LLC ("Caerus") by and through its attorneys, Lohf Shaiman Jacobs Hyman & Feiger PC, respectfully submits its Verified Application to the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order establishing an approximate 52-acre spacing unit, and density and setback rules, for production of oil, gas and associated hydrocarbon substances, for the drilling and producing of wells to the Williams Fork and Iles Formations of the Mesaverde Group, covering certain lands in Garfield County, Colorado, and in support states as follows:

1. Caerus is a Colorado limited liability company duly organized and authorized to conduct business in the State of Colorado.

2. Caerus owns oil and gas leasehold interests in the Williams Fork and Iles Formations in the following lands in Garfield County, Colorado (the "Application Lands"):

Township 7 South, Range 96 West of the 6th P.M.
Section 24: Lots 2, 3 & 4 (North of the Colorado River)

3. The Application Lands are unspaced with respect to the Williams Fork and Iles Formations.

4. On July 1, 1997, the Commission issued Orders 139-31 and 440-18 which, among other things, authorized wells drilled to the Williams Fork Formation of the Mesaverde Group to be on approximately 40 acre tract, and no closer than 400 feet from the boundaries of the drilling unit and no closer than 800 feet from any existing Williams Fork Formation well or wells. The Application Lands are subject to Orders 139-31 and 440-18.

6. The records of the Commission reflect that no wells have been drilled to the Williams Fork or Iles Formations in the Application Lands.

7. By Order 139-116, entered on June 17, 2013, the Commission established an approximate 588-acre drilling and spacing unit consisting of those portions of said Section 24 located south of the Colorado River, and approved 10-acre bottomhole density for production of oil, gas and associated hydrocarbons from the Williams Fork Formation. Similar orders authorizing 10 acre density for production from the Williams Fork and Iles Formations have been become common in the area of the Application Lands, and Order 510-58 granted similar well density and

setbacks for wells to the Williams Fork and Iles Formations in the adjacent SW/4 of Section 13, Township 7 South, Range 96 West.

7. To promote efficient drainage of the Williams Fork and Iles Formations in the Application Lands, to protect correlative rights, avoid waste, and assure the greatest ultimate recovery of oil, gas and associated hydrocarbon substances from the formation, the Commission should enter an order to establish a spacing unit of approximately 52-acres, consisting of the Application Lands, applicable to the drilling and producing of wells to the Williams Fork and Iles Formations.

8. Caerus requests that such order allow it to drill and complete wells on the Application Lands at a density equivalent of one well per 10 acres for production of oil, gas and associated hydrocarbons from the Williams Fork and Iles Formations, and that such wells be located downhole anywhere within the Application Lands, but no closer than 100 feet from a lease line or the boundaries of the Application Lands without exception being granted by the Director of the Oil and Gas Conservation Commission. In cases where the Application Lands abut or corner lands in respect of which the Commission has not at the time of drilling permit application granted the right to drill 10 acre density Williams Fork and Iles Formation wells, Caerus further requests that such order shall provide that wells shall be located down hole no closer than 200 feet from the boundaries of the Application Lands so abutting or cornering such lands, without exception being granted by the Director of the Oil and Gas Conservation Commission.

9. Caerus further requests that such wells on the Application Lands be drilled from the surface, either vertically or directionally, from no more than one pad located in the unit, or from authorized surface locations on adjacent or cornering lands, unless exception is granted by the Director of the Oil and Gas Conservation Commission, and further, that wells drilled to the Iles Formation in the Application Lands shall be drilled only in connection with the drilling of a Williams Fork Formation well.

10. The above-proposed drilling and spacing unit will allow efficient drainage of the Williams Fork and Iles Formations, prevent waste, not adversely affect correlative rights of any owner, and assure the greatest ultimate recovery of oil, gas and associated hydrocarbon substances from the reservoirs.

11. A drilling and spacing unit of the size and shape specified above is not smaller than the maximum area which can be economically and efficiently drained by a single well to the Williams Fork and Iles Formations in the proposed unit.

12. The proposed wells can be developed in a manner consistent with protection of the environment, public health, safety and welfare.

14. The names and addresses of interested parties according to the information and belief of Caerus are set forth in the annexed **Exhibit A**. The undersigned certifies that copies of this Verified Application shall be served on each interested party as required by Rule 503.e.

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

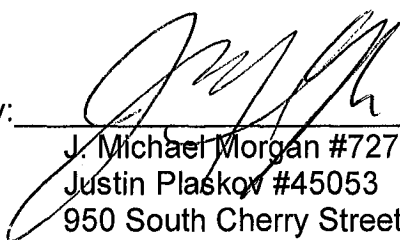
A. Establishing the Application Lands as an approximate 52-acre drilling and spacing unit for production of oil, gas and associated hydrocarbons from the Williams Fork and Iles Formations,

B. Providing that the density and location of wells drilled to the Williams Fork and Iles Formations in said unit shall be as requested above, and

C. For such other findings and orders, consistent with the requests set forth above, which the Commission may determine to be just and proper.

RESPECTFULLY SUBMITTED this 29th day of August, 2013.

LOHF SHAIMAN JACOBS HYMAN & FEIGER PC

By: 
J. Michael Morgan #7279
Justin Plaskov #45053
950 South Cherry Street, Suite 900
Denver, Colorado 80246
(303) 753-9000
(303) 753-9997 (fax)
mmorgan@lohfsheiman.com

Address of Applicant:
Caerus Piceance LLC
600 17th Street, Suite 1600 North
Denver, CO 80202

EXHIBIT "A"

TO VERIFIED APPLICATION OF CAERUS PICEANCE LLC

Township 7 South, Range 96 West, 6th P.M.
Section 24: Lots 2, 3 & 4 (North of the Colorado River)

Applicant:

Caerus Piceance LLC
600 17th Street, Suite 1600 North
Denver, CO 80202

Applicant's Attorney:

J. Michael Morgan, Esq.
Lohf Shaiman Jacobs Hyman & Feiger PC
950 South Cherry Street, Suite 900
Denver, CO 80246

Local Government Designee:

Kirby H. Wynn
Garfield County
0375 County Road 352, Bldg 2060
Rifle, CO 81650-8412

Other Interested Parties:

WPX Energy Rocky Mountain, LLC
1001 17th Street, Suite 1200
Denver, Colorado 800202

Union Pacific Railroad Company
1400 Douglas Street, Mail Stop 1690
Omaha, Nebraska 68179

Puckett Land Company
5460 South Quebec Street, Suite 250
Greenwood Village, Colorado 80111

Ivy Energy
5110 South Yale Avenue
Tulsa, Oklahoma 74135

Apollo/ATEK Drilling Ventures, LLC
1557 Ogden Street, Suite 300
Denver, Colorado 80218

Battlement Mesa Company
73 Sipprelle Drive
Parachute, Colorado 81635

Kim Kaal and Jon Holst
Colorado Division of Wildlife
6060 Broadway
Denver, CO 80214

Kent Kuster
Colorado Department of State
Health and Environment
4300 Cherry Creek Drive South
Denver, CO 80246-1530

Zenith Drilling Corporation
1223 North Rock Road #A200
Wichita, Kansas 67206

Yates Drilling Company
730 17th Street, Suite 320
Denver, Colorado 80202

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Ursa Operating Company, LLC
1050 17th Street, Suite 2400
Denver, Colorado 80265

ExxonMobil Corporation
Attn: Paul Keffer
810 Houston Street
Fort Worth, Texas 76102

Texas Eastern Skyline Oil Company
(a/k/a Spectra Energy)
Attn: Ginger Funk
5400 Westheimer Court
Houston, Texas 77056

Alarado Resources, Limited Partnership
215 Union Boulevard, Suite 450
Lakewood, Colorado 80228

MYCO Industries, Inc.
423 West Main Street
Artesia, New Mexico 88210

Delbarco, Inc.
PO Box 781581
Wichita, Kansas 67278

4-D Energy, Inc.
1313 North Webb Road, Suite 200
Wichita, Kansas 67206

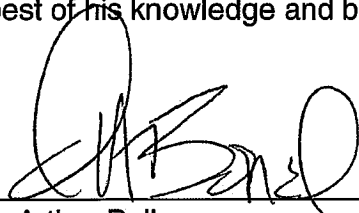
VERIFICATION

STATE OF COLORADO)
)
CITY & COUNTY OF DENVER) **ss.**

1. N. Arthur Bollen, of lawful age, being first duly sworn upon oath, deposes and states that he is Land Manager for the Applicant, and he maintains his office at 600 17th Street, Suite 1600 North, Denver, CO 80202.

2. He has read the within application, is familiar with the facts set forth therein, and states that said facts are true and correct to the best of his knowledge and belief.

Further Affiant sayeth not.

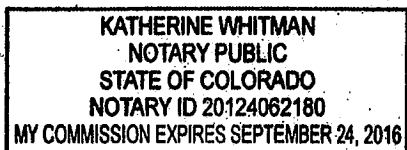



N. Arthur Bollen

Subscribed and sworn to before me this 29 day of August, 2013.

Witness my hand and official seal.

My commission expires: 9/24/2016





Notary Public

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CAUSE NO. 510

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AFFIDAVIT OF MAILING

STATE OF COLORADO)
) ss.
CITY & COUNTY OF DENVER)

J. Michael Morgan, of lawful age and being first duly sworn upon his oath, states and declares:

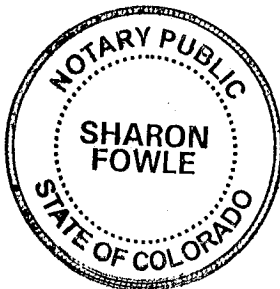
That he is the attorney for Caerus Piceance LLC in the above-captioned matter, and that on August 29th, 2013, he caused a copy of the attached Verified Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on **Exhibit A** to the Application.

J. Michael Morgan

Subscribed and sworn to before me this 29th day of August, 2013.

Witness my hand and official seal.

My commission expires: 03/05/2015



Sharon Fowler
Notary Public