

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

IN THE MATTER OF AN APPLICATION BY SRC ENERGY INC. FOR AN ORDER ESTABLISHING AN APPROXIMATE 1,907.905-ACRE DRILLING AND SPACING UNIT FOR SECTIONS 25, 26, AND 27, TOWNSHIP 4 NORTH, RANGE 67 WEST, 6TH P.M., FOR HORIZONTAL WELL DEVELOPMENT OF THE CODELL AND NIOBRARA FORMATIONS, WATTENBERG FIELD, WELD COUNTY, COLORADO

CAUSE NO. 407

DOCKET NO.

TYPE: SPACING

APPLICATION

SRC Energy Inc. (Operator No. 10311) ("SRC" or "Applicant"), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado ("Commission") for an order establishing an approximate 1,907.905-acre drilling and spacing unit for Sections 25, 26, and 27, Township 4 North, Range 67 West, 6th P.M., and authorizing the drilling of up to 44 horizontal wells within the proposed unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations. In support of its Application, Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado, and has registered as an operator with the Commission.

2. Applicant owns a leasehold interest in the below-listed lands:

Township 4 North, Range 67 West, 6th P.M.

Section 25: All

Section 26: All

Section 27: All

1,907.905 acres, more or less, Weld County, Colorado.¹

These lands are hereinafter referred to as the "Application Lands" and depicted in Exhibit A attached hereto.

3. On April 27, 1998, the Commission adopted Rule 318A. which, among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all of the Cretaceous Age Formations from the base of the Dakota Formation to the surface. On December 5, 2005, Rule 318A. was amended to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. On August 8, 2011, Rule 318A. was again

¹ The Application Lands contain irregular lots. Acreage in this area is based on the known survey markers found in the field. Accordingly, the acreage comprising the drilling and spacing unit has been modified to reflect the presence of irregular quarter-quarter sections.

amended to, among other things, address drilling of horizontal wells. The Application Lands are subject to Rule 318A.

4. The online records maintained by the COGCC indicate that numerous vertical and directional wells are currently producing from the Codell and/or Niobrara Formations in the Application Lands, as depicted on Exhibit B attached hereto. Applicant hereby confirms that each of these wells shall remain subject to applicable spacing orders of the Commission, and shall not be affected by Applicant's requested relief under this Application. Proceeds from the sale of oil or gas from these wells shall continue to be distributed based on the applicable spacing orders for these wells. As of the date of this Application, no horizontal wells have been drilled within the proposed unit.

Establishing an approximate 1,907.905-acre drilling and spacing unit and authorizing up to 44 horizontal wells for development of the Codell and Niobrara Formations

5. Applicant requests the Commission establish the Application Lands as an approximate 1,907.905-acre drilling and spacing unit for the Codell and Niobrara Formations pursuant to Rule 503.b.(1) and §34-60-116(2), C.R.S. For the Application Lands, the proposed drilling unit is not smaller than the maximum area that can be economically and efficiently drained by the horizontal wells proposed to be drilled under this Application and completed in the Codell and Niobrara Formations.

6. Applicant requests it be authorized to drill and complete up to 44 horizontal wells in the approximate 1,907.905-acre drilling and spacing unit proposed for the Application Lands, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, as necessary to economically and efficiently recover resources, while minimizing surface impacts, creating efficiencies for drilling and production, increasing the ultimate recovery of the reserves, preventing waste, and protecting correlative rights.

Setback and Location Requirements

7. Applicant requests that setback and location requirements for the Application Lands be as follows:

a. For any permitted wells to be drilled under this Application, the treated intervals of the wellbore should be not less than 460 feet from the boundaries of the proposed unit, with an inter-well setback of not less than 150 feet from the treated interval of a well producing from the Codell and Niobrara Formations, without exception being granted by the Director.

b. Any horizontal wells to be drilled under this Application for production from the Codell and Niobrara Formations will be drilled from the surface of the drilling unit, or on adjacent lands with consent of the landowner, from no more than four (4) surface locations, unless an exception is granted by the Director.

8. The granting of this Application is in accord with the Oil and Gas Conservation Act, found at §§34-60-101, *et seq.*, C.R.S., and the Commission rules.

9. Applicant requests that relief granted under this Application should be effective on oral order by the Commission, and Applicant hereby agrees to be bound by said oral order.

10. The undersigned certifies that copies of this Application will be served on each interested party as required by Rule 507 within fifteen days of the filing hereof, as required by Rule 503.e.

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

A. Establishing an approximate 1,907.905-acre drilling and spacing unit for Application Lands, and authorizing the drilling of up to 44 horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, with the treated intervals of the wellbore of any permitted wells to be located not less than 460 feet from the boundaries of the proposed unit, with an inter-well setback of not less than 150 feet from the treated interval of a well producing from the Codell and Niobrara Formations, without exception being granted by the Director.

B. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this 11th day of April, 2018.

Respectfully submitted,

SRC ENERGY INC.

By: Jobediah J. Rittenhouse
Jillian Fulcher
James Parrot
Jobediah J. Rittenhouse
Beatty & Wozniak, P.C.
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Denver, Colorado 80202
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jrittenhouse@bwenergylaw.com

Address of Applicant
SRC Energy Inc.
ATTN: Kaitlyn Tobin
1625 Broadway, Suite 300
Denver, Colorado 80202

VERIFICATION

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

Kaitlyn Tobin, Landman for SRC Energy Inc., upon oath deposes and says that she has read the foregoing Application and that the statements contained therein are true to the best of her knowledge, information, and belief.

SRC ENERGY INC.

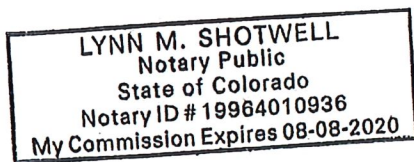



Kaitlyn Tobin

Subscribed and sworn to before me this 11th day of April,
2018, by Kaitlyn Tobin, Landman for SRC Energy Inc.

Witness my hand and official seal.

My commission expires: 8/8/2020





Notary Public

Exhibit A

Reference Map for Spacing Application

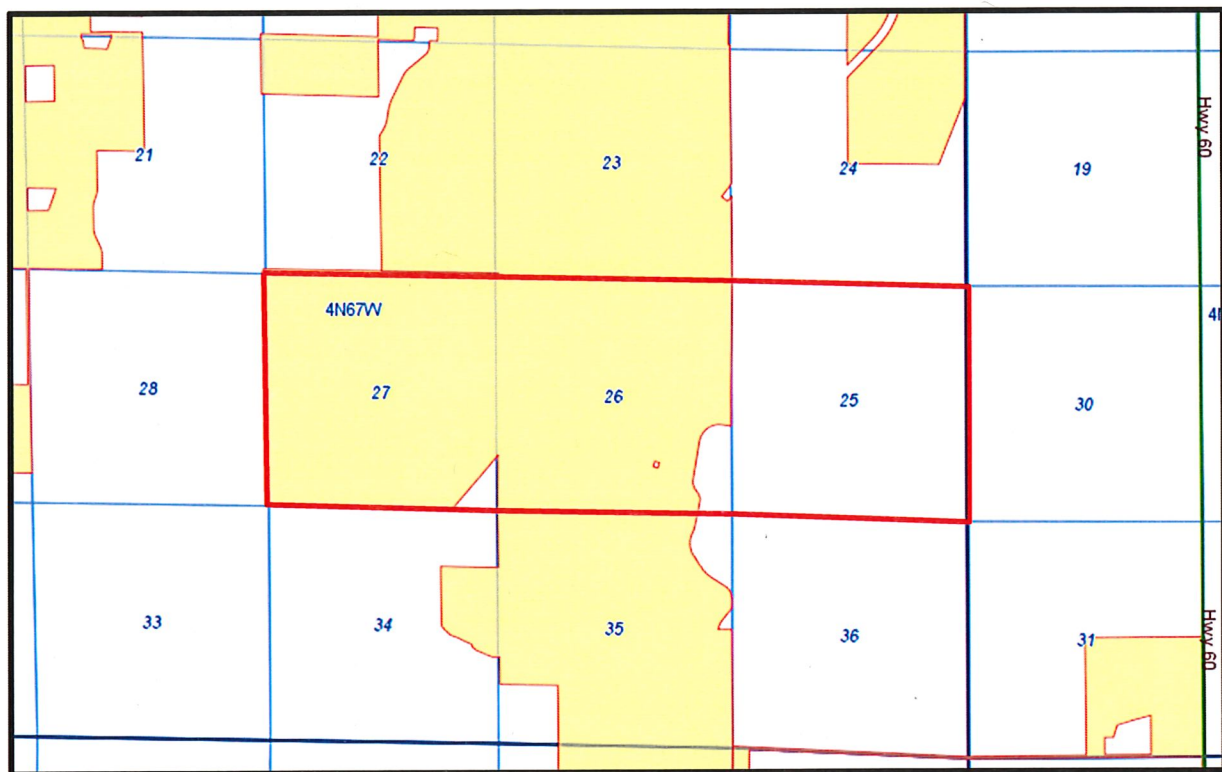
Township 4 North, Range 67 West, 6th P.M.

Section 25: All

Section 26: All

Section 27: All

1,907.905 acres, more or less, Weld County, Colorado



= Application Lands

EXHIBIT B

Producing Vertical and Directional Wells

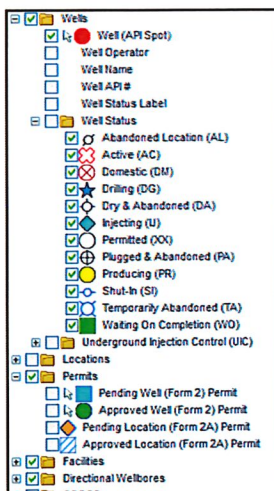
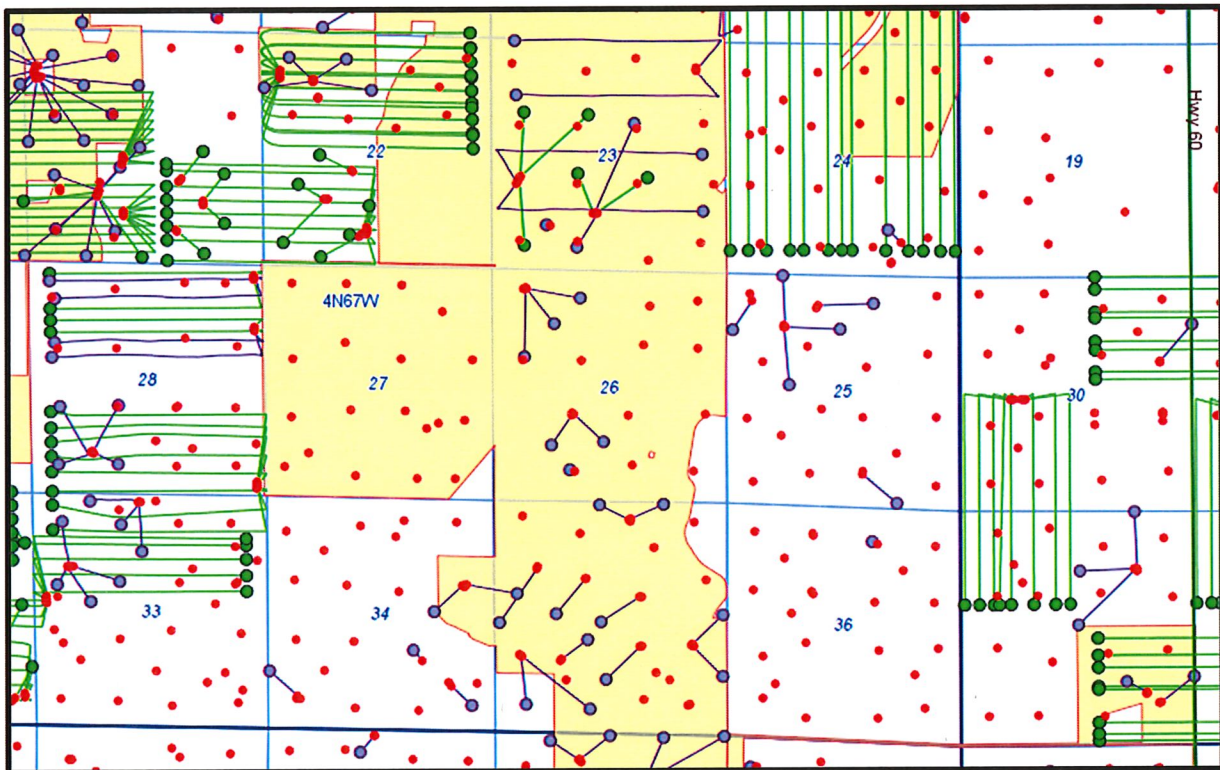
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TYPE: SPACING

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

That she is a Legal Assistant at Beatty & Wozniak, P.C., attorneys for SRC Energy Inc., and on or before the 18th day of April, 2018, caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A attached hereto.

Subscribed and sworn to before me this 11th day of April, 2018.

Aida Linda Barón
Notary Public

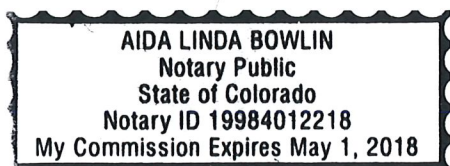


EXHIBIT C

INTERESTED PARTIES

The names and addresses of the interested parties (persons who own any interest in the mineral estate of the tracts to be pooled, except owners of overriding royalty interest) according to the information and belief of the Applicant are set forth in this Exhibit A.

SRC ENERGY INC.
1675 BROADWAY, STE. 2600
DENVER, CO 80202

APACHE JOINT VENTURE
1875 S. MARSHALL CIRCLE
LAKEWOOD, CO 80232

COLORADO ENERGY MINERALS, INC
PO BOX 899
DENVER, CO 80201

GREG R. MCNEISH AND SUSAN MAY MCNEISH,
TRUSTEES UNDER THE GREG R. MCNEISH AND
SUSAN MAY MCNEISH REVOCABLE LIVING TRUST
AGREEMENT DTD 5/30/91
10612 WITHIN HEIGHTS DR
BAKERSFIELD, CA 93311

BRANDON MARETTE, ENERGY LIAISON
COLORADO PARKS AND WILDLIFE
NORTHEAST REGION OFFICE
6060 BROADWAY
DENVER, CO 80216

PDC ENERGY INC
1775 SHERMAN ST., SUITE 300
DENVER, CO 80203

CACHE ENERGY INVESTMENTS
C/O ED HOLLOWAY
20203 HIGHWAY 60
PLATTEVILLE, CO 80651

INCLINE NIOBARA PARTNERS LP
5019 N CENTRAL EXPRESSWAY, SUITE B
DALLAS, TX 75205

TROY SWAIN
WELD COUNTY
DEPARTMENT OF PLANNING SERVICES
1555 NORTH 17TH AVENUE
GREELEY, CO 80631

KENT KUSTER
OIL & GAS CONSULTANT COORDINATOR
COLORADO DEPARTMENT OF
PUBLIC HEALTH & ENVIRONMENT
4300 CHERRY CREEK DRIVE SOUTH
DENVER, CO 80246-1530

PEPPER MCCLENAHAN
TOWN OF MILLIKEN
PO BOX 290
MILLIKEN, CO 80543