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

IN THE MATTER OF THE APPLICATION OF HIGHLANDS NATURAL RESOURCES CORPORATION FOR AN ORDER TO ESTABLISH AN APPROXIMATE 2,560-ACRE DRILLING AND SPACING UNIT FOR SECTIONS 1, 2, 11 AND 12, TOWNSHIP 2 SOUTH, RANGE 70 WEST, 6TH P.M., AND TO AUTHORIZE UP TO THIRTY-ONE (31) HORIZONTAL WELLS IN THE UNIT, FOR THE PRODUCTION FROM THE NIOBRARA, FORT HAYS, CODELL AND CARLILE FORMATIONS, UNNAMED FIELD, JEFFERSON COUNTY, COLORADO	CAUSE NO. 535 DOCKET NO. 181200___ TYPE: SPACING

APPLICATION

Highlands Natural Resources Corporation (Operator No. 10625) ("Applicant" or "Highlands"), by and through its attorneys, Jost Energy Law, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order to establish an approximate 2560-acre drilling and spacing unit for Sections 1, 2, 11 and 12, Township 2 South, Range 70 West, 6th P.M., and to approve up to thirty-one (31) horizontal wells in the approximate 2,560-acre drilling and spacing unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell and Carlile Formations. In support of its Application, Applicant states and alleges as follows:

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

2. Highlands is an Owner as defined by the Colorado Oil and Gas Conservation Act and the Commission's 100 Series Rules and own certain leasehold interests or the right to operate leasehold interests in the following lands (hereafter "Application Lands"):

Township 2 South, Range 70 West, 6th P.M.
Section 1: All
Section 2: All
Section 11: All
Section 12: All

2,560 acres, more or less, Jefferson County, Colorado.

A reference map of the Application Lands is attached hereto.

3. Rule 318.a. of the Rules and Regulations of the Oil and Gas Conservation Commission requires that, on unspaced lands, wells drilled in excess of 2,500 feet in depth be located not less than 600 feet from any lease line, and located 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. Sections 1, 2, 11 and 12, Township 2 South, Range 70 West, 6th P.M. are subject to this Rule for the Fort Hays and Carlile Formations.

4. On February 19, 1992 (amended August 20, 1993), the Commission issued Order No. 407-87, which among other things, established 80-acre drilling and spacing units for the production of oil, gas and associated hydrocarbons from the Niobrara and Codell Formations, with the permitted well locations in accordance with the provisions of Order No. 407-1. Sections 1, 2, 11 and 12, Township 2 South, Range 70 West, 6th P.M. are subject to this Order for the Niobrara and Codell Formations.

5. To promote efficient drainage within the Niobrara, Fort Hays, Codell and Carlile Formations of the Application Lands, to protect correlative rights and to avoid waste, the Commission should establish an approximate 2560-acre drilling and spacing unit for Sections 1, 2, 11 and 12, Township 2 South, Range 70 West, 6th P.M., and approve up to thirty-one (31) horizontal wells in the approximate 2560-acre drilling and spacing unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell and Carlile Formations.

6. The above proposed drilling and spacing unit will allow efficient drainage of the Niobrara, Fort Hays, Codell and Carlile Formations; will prevent waste; will not adversely affect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoirs. The unit of the size and shape specified above is not smaller than the maximum area that can be economically and efficiently drained by the proposed wells in the unit.

7. The Applicant maintains that there will be no more than four (4) new well pads in the unit, or adjacent thereto, unless an exception is granted by the Director.

8. Applicant states that the productive interval of all proposed horizontal wells in the Application Lands shall be no closer than 600 feet from the boundaries of the unit (regardless of the lease lines within the unit) and all horizontal wells shall be no closer than 150 feet from the productive interval of another well producing from the same source of supply within the unit, unless an exception is granted by the Director.

9. The undersigned certifies that copies of this Application will be served on each interested party within seven (7) days of the filing hereof, as required by Rule 503.e.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing on December 17-18, 2018, that notice be given as required by law, and that upon such hearing this Commission enter its order to:

A. Establish an approximate 2,560-acre drilling and spacing unit for Sections 1, 2, 11 and 12, Township 2 South, Range 70 West, 6th P.M., and to approve up to thirty-one (31) horizontal wells in the approximate 2,560-acre drilling and spacing unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell and Carlile Formations.

B. Provide that the productive interval of any horizontal well shall be no closer than 600 feet from the boundaries of the unit and not less than 150 feet from the productive interval of another well within the unit, and authorizing up to four (4) well pads in the unit, or adjacent thereto, unless an exception is granted by the Director.

C. Find that the approximate 2,560-acre drilling and spacing unit and the approval of up to thirty-one (31) horizontal wells within the Application Lands for the development of the Niobrara, Fort Hays, Codell and Carlile Formations will prevent waste, protect correlative rights, and maximize the efficient and economic production of the Niobrara, Fort Hays, Codell and Carlile Formations in the Application Lands.

D. For such other findings and orders as the Commission may deem proper or advisable in this matter.

DATED this 1st day of October, 2018.

Respectfully submitted:

HIGHLANDS NATURAL RESOURCES CORPORATION

By: _____

Jamie L. Jost
Kelsey H. Wasylenky
Jost Energy Law, P.C.
Attorneys for Applicant
1401 17th Street, Suite 370
Denver, Colorado 80202
(720) 446-5620

Applicant's Address:
Highlands Natural Resources Corporation
Attn: Eric Anderson
220 Josephine Street
Denver, CO 80206

VERIFICATION

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

Eric Anderson, of lawful age, being first duly sworn upon oath, deposes and says that he is Vice-President of Land for Highlands Natural Resources Corporation, and that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

Eric Anderson
Vice-President of Land
Highlands Natural Resources Corporation

Subscribed and sworn to before me this 12th day of October, 2018.

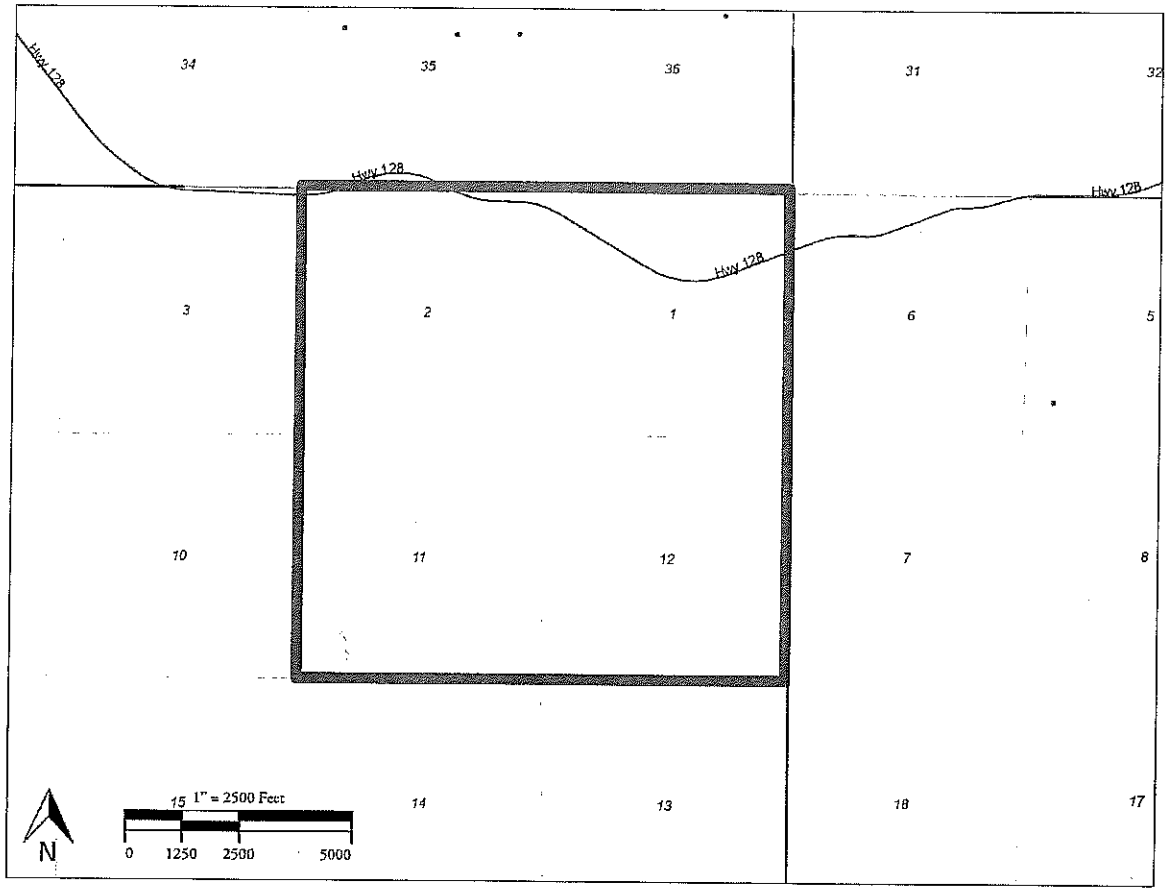
Witness my hand and official seal.

[SEAL]

BRIAN SADDLER
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20184005500
MY COMMISSION EXPIRES FEBRUARY 1, 2022

My commission expires: 02-01-2022

Notary Public

Reference Map
Highlands Natural Resources Corporation

Sections 1, 2, 11, and 12, Township 2 South, Range 70 West, 6th P.M.