



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

IN THE MATTER OF THE PROMULGATION AND) CAUSE NOS. 409, 232 & 407
ESTABLISHMENT OF FIELD RULES TO GOVERN)
OPERATIONS IN THE EATON AND GREATER) ORDER NOS. 409-4, 232-264 & 407-386
WATTENBERG FIELDS, WELD COUNTY, COLORADO)

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on January 13, 2011, in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to pool all nonconsenting interests in the designated approximate 80-acre drilling and spacing unit consisting of the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 31, Township 7 North, Range 65 West, 6th P.M., for the development and operation of the "J" Sand, Codell and Niobrara Formations.

FINDINGS

The Commission finds as follows:

1. Great Western Oil and Gas Company, LLC ("Great Western" or "Applicant"), as applicant herein, is an interested party in the subject matter of the above-referenced hearing.
2. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.
3. The Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order pursuant to the Oil and Gas Conservation Act.
4. Rule 318.a. of the Rules and Regulations of the Oil and Gas Conservation Commission requires that 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, unless otherwise approved by an order of the Commission. The W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 31, Township 7 North, Range 65 West, 6th P.M., is subject to this Rule for the "J" Sand, Codell and Niobrara Formations.
5. Rule 318A.a.(4)C. provides that when completing a Greater Wattenberg Area ("GWA") well in an unspaced formation, the operator shall designate a drilling and spacing unit not smaller than a governmental quarter-quarter section if the well is to be located no closer than 460 feet to the quarter-quarter section boundary in which it is located. The W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 31, Township 7 North, Range 65 West, 6th P.M., is subject to this Rule for the "J" Sand, Codell and Niobrara Formations.
6. On October 8, 2010, Great Western, by its attorney, filed with the Commission a verified application for an order to pool all nonconsenting interests in the designated approximate 80-acre drilling and spacing unit consisting of the below-described lands ("Application Lands") to accommodate the Gustafson #31-11 Well (API No. 05-123-31295), located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 31, Township 7 North, Range 65 West, 6th P.M., and an additional unpermitted well, to be located in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of said Section 31, for the development and operation of the "J" Sand, Codell and Niobrara Formations:

Township 7 North, Range 65 West, 6th P.M.
Section 31: W $\frac{1}{2}$ NW $\frac{1}{4}$
7. On December 30, 2010, Great Western, by its attorney, filed with the Commission a written request to approve the application based on the merits of the verified application and the supporting exhibits. Sworn written testimony and exhibits were submitted in support of the application.
8. Testimony and exhibits submitted in support of the application by Royce H. Allen, Land Manager for Great Western, showed that Great Western is a mineral leaseholder underlying the Application Lands. Additional testimony showed a list of all consenting and nonconsenting owners for the drilling and spacing unit and indicated that offers to lease and letters of participation were sent to the nonconsenting owners that were locatable, and that said offers were sent via U.S. Mail, at least 30 days prior to the January 13, 2011 hearing, to each nonconsenting owner. Testimony showed that the offers to lease/participate and the Authorizations for Expenditures were fair and reasonable, and similar to those prevailing in the area, and that Great Western has complied with the requirements of Rule 530.a. and §34-60-116(7)(d), C.R.S. Further testimony showed that Great Western has permitted the Gustafson #31-11 Well for production of gas from the "J" Sand, Codell and Niobrara Formations on the Application Lands and plans on drilling a second additional well within the unit in the future.
9. The above-referenced testimony and exhibits show that the granting of the application will allow more efficient reservoir drainage, will prevent waste, will assure a greater ultimate recovery of oil/gas, and will not violate correlative rights.
10. Great Western agreed to be bound by oral order of the Commission.

11. Based on the facts stated in the verified application, having received no protests, and based on the Hearing Officer review of the application under Rule 511., the Commission should enter an order pooling all nonconsenting interests in the designated approximate 80-acre drilling and spacing unit consisting of the W $\frac{1}{2}$ NW $\frac{1}{4}$ of Section 31, Township 7 North, Range 65 West, 6th P.M., for the development and operation of the "J" Sand, Codell and Niobrara Formations.

ORDER

NOW, THEREFORE IT IS ORDERED, that:

1. Pursuant to the provisions of §34-60-116, C.R.S., as amended, of the Oil and Gas Conservation Act, the nonconsenting interests in the designated approximate 80-acre drilling and spacing unit consisting of the below-described lands to accommodate the permitted Gustafson #31-11 Well and an additional unpermitted well, for the development and operation of the "J" Sand, Codell and Niobrara Formations:

Township 7 North, Range 65 West, 6th P.M.
Section 31: W $\frac{1}{2}$ NW $\frac{1}{4}$

2. The production obtained from the drilling and spacing unit shall be allocated to each owner in the unit on the basis of the proportion that the number of acres in such tract bears to the total number of mineral acres within the drilling and spacing unit; each owner of an interest in the drilling and spacing unit shall be entitled to receive its share of the production of the well located on the drilling and spacing unit applicable to its interest in the drilling and spacing unit.

3. The unleased mineral owners are hereby deemed to have elected not to participate and shall therefore be deemed to be nonconsenting as to the well and be subject to the penalties as provided for by §34-60-116 (7), C.R.S.

4. Each nonconsenting unleased mineral owner within the drilling and spacing unit shall be treated as the owner of the landowner's royalty to the extent of 12.5% of its record title interest, whatever that interest may be, until such time as the consenting owners recover, only out of each nonconsenting owner's proportionate 87.5% share of production, the costs specified in §34-60-116(7)(b), C.R.S. as amended. After recovery of such costs, each nonconsenting mineral owner shall then own its proportionate 8/8ths share of the well, surface facilities and production, and then be liable for its proportionate share of further costs incurred in connection with the well as if he/she had originally agreed to the drilling.

5. The operator of the well drilled on the above-described drilling and spacing unit shall furnish the nonconsenting owners with a monthly statement of all costs incurred, together with the quantity of oil and gas produced, and the amount of proceeds realized from the sale of production during the preceding month.

6. Nothing in this order is intended to conflict with §34-60-116, C.R.S., as amended. Any conflict that may arise shall be resolved in favor of the statute.

IT IS FURTHER ORDERED, that the provisions contained in the above order, shall become effective forthwith.

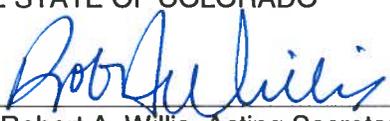
IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

IT IS FURTHER ORDERED, that under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review within thirty (30) days after the date this order is mailed by the Commission.

IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

ENTERED this 2nd day of February 2011, as of January 13, 2011.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Robert A. Willis, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
February 2, 2011