



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

IN THE MATTER OF THE PROMULGATION AND) CAUSE NO. 407
ESTABLISHMENT OF FIELD RULES TO GOVERN)
OPERATIONS IN THE WATTENBERG FIELD,) ORDER NO. 407-382
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 various drilling and spacing units designated within the SW¼ of Section 2, Township 4 North, Range 67 West, 6th P.M., for the development and operation of the Codell and Niobrara Formations.

FINDINGS

The Commission finds as follows:

1. Great Western Oil and Gas Company LLC ("Great Western"), 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. On December 19, 1983, the Commission issued Order No. 407-1 (amended on March 29, 2000 in accordance with Order No. 407-17, entered November 18, 1985), which, among other things, established 80-acre drilling and spacing units for the production of oil and/or gas and associated hydrocarbons from the Codell Formation underlying certain lands, including Section 2, Township 4 North, Range 67 West, 6th P.M., with the drilling and spacing unit to be designated by the operator drilling the first well in the quarter section, or the Director, if the operator fails to so designate. The permitted well must be located in the center of either 40-acre tract within the 80-acre drilling and spacing unit, with a tolerance of 200 feet in any direction. The operator has the option to drill an additional well on the undrilled 40-acre tract in each 80-acre drilling and spacing unit.
5. 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 and/or gas from the Codell and Niobrara Formations underlying certain lands, including Section 2, Township 4 North, Range 67 West, 6th P.M., with the permitted well locations in accordance with the provisions of Order No. 407-1.
6. On April 27, 1998, the Commission adopted Rule 318A(e)(1), 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. Section 2, Township 4 North, Range 67 West, 6th P.M., is subject to this Rule for the Codell and Niobrara Formations.
7. On September 1, 2010, Great Western, by its attorney, filed with the Commission a verified application ("Application") for an order to: (1) pool all nonconsenting interests in the approximate 80-acre drilling and spacing unit designated for the W½ SW¼ of Section 2, Township 4 North, Range 67 West, 6th P.M., to accommodate the Coulson #2-13 and Coulson #2-14 Wells, for the development and operation of the Codell and Niobrara Formations, (2) pool all nonconsenting interests in the approximate 80-acre drilling and spacing unit designated for the E½ SW¼ of said Section 2, to accommodate the Coulson #2-23 and Coulson #2-24 Wells, for the development and operation of the Codell and Niobrara Formations, and (3) pool all nonconsenting interests in the approximate 160-acre drilling and spacing unit designated for the SW¼ of said Section 2, to accommodate the Coulson #2-54 Well, for the development and operation of the Codell and Niobrara Formations.

8. On October 6, 2010, Colorado Community Bank ("CCB"), by its attorney, filed a written letter with the Commission protesting the granting of the Application.

9. On October 8, 2010, Great Western, by its attorney, filed a written letter with the Commission to continue this matter until the November Commission hearing.

10. On December 23, 2010, CCB, by its attorney, filed a written letter with the Commission withdrawing its protest to the granting of the Application.

11. On December 27, 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 as is provided for by Rule 511. Sworn written testimony and exhibits were submitted in support of the application.

12. Testimony and exhibits submitted in support of the Application by Royce H. Allen, Land Manager for Great Western, showed Great Western is a mineral leasehold owner for the application lands. Additional testimony indicated there is one nonconsenting owner within the described drilling and spacing units. Further testimony indicated that an offer to lease or to participate was sent to the nonconsenting owner at her last known address, and that said offer was sent via U.S. Mail, at least 30 days prior to the January 13, 2011 hearing, to the 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.

13. 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.

14. Great Western agreed to be bound by oral order of the Commission.

15. 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 to pooling all nonconsenting interests in various drilling and spacing units designated within the SW¼ of Section 2, Township 4 North, Range 67 West, 6th P.M., for the development and operation of the 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 approximate 80-acre drilling and spacing unit designated for the below-described lands (to accommodate the Coulson #2-13 and Coulson #2-14 Wells) are hereby pooled, for the development and operation of the Codell and Niobrara Formations:

Township 4 North, Range 67 West, 6th P.M.
Section 2: W½ SW¼

2. The nonconsenting interests in the approximate 80-acre drilling and spacing unit designated for the below-described lands (to accommodate the Coulson #2-23 and Coulson #2-24 Wells) are hereby pooled, for the development and operation of the Codell and Niobrara Formations:

Township 4 North, Range 67 West, 6th P.M.
Section 2: E½ SW¼

3. The nonconsenting interests in the approximate 160-acre drilling and spacing unit designated for the below-described lands (to accommodate the Coulson #2-54-Well) are hereby pooled, for the development and operation of the Codell and Niobrara Formations:

Township 4 North, Range 67 West, 6th P.M.
Section 2: SW¼

4. 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 wellbore spacing unit.

5. 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.

6. 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 it had originally agreed to the drilling.

7. 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.

8. 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