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

IN THE MATTER OF THE PROMULGATION AND)	CAUSE NOS. 232, 407 & 499
ESTABLISHMENT OF FIELD RULES TO GOVERN)	
OPERATIONS IN THE WATTENBERG FIELD,)	ORDER NOS. 232-266, 407-389 &
WELD COUNTY, COLORADO)	499-81

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on February 22, 2011, in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to pool specifically named nonconsenting interests for certain described wells and future wells drilled in designated drilling and spacing units and wellbore spacing units located within portions of Sections 7, 8, 17, 18, and 19 in Township 3 North, Range 66 West, 6th P.M., for the development and operation of the Sussex and Dakota Formations.

FINDINGS

The Commission finds as follows:

1. Kerr-McGee Oil & Gas Onshore LP ("Kerr-McGee"), 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 October 19, 1981, the Commission issued Order No. 232-23 which, among other things, amended Order No. 232-20 to establish additional 320-acre drilling and spacing units and allow a second well to be drilled for production of gas and associated hydrocarbons from the "J" Sand Formation, for certain lands, including Sections 7, 8, 17, 18, and 19, Township 3 North, Range 66 West, 6th P.M.
5. On November 21, 1983, the Commission issued Order No. 407-1, which, among other things, established 80-acre drilling and spacing units for certain lands, including Sections 7, 8, 17, 18, and 19, Township 3 North, Range 66 West, 6th P.M., for production of gas and associated hydrocarbons from the Codell Formation.
6. On April 7, 1992, amended August 20, 1993, the Commission issued Order No. 407-87, which, among other things, established 80-acre drilling and spacing units for certain lands including Sections 7, 8, 17, 18, and 19, Township 3 North, Range 66 West, 6th P.M., for production of gas and associated hydrocarbons from the Codell-Niobrara Formations.
7. On July 20, 1992, amended April 13, 1993, the Commission issued Order No. 499-7, which among other things, established drilling and spacing units for the Codell, Niobrara, Sussex, and Shannon Formations at either 160 acres, or the same size as for the Dakota and "J" Sand Formations for Sections 7, 8, of the Application Lands, but not for Sections 17, 18, and 19 of the Application Lands.
8. 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, among other things, interior infill and boundary wells to be drilled and wellbore spacing units to be established. Sections 7, 8, 17, 18, and 19, Township 3 North, Range 66 West, 6th P.M., were included in this Rule.
9. On September 1, 2010, Kerr-McGee, by its attorneys, filed a verified application with the Commission seeking an order pooling specifically named nonconsenting interests for certain described wells and future wells drilled in drilling and spacing units and designated wellbore spacing units established for the production of oil, gas and associated hydrocarbons from the Codell, Niobrara

and "J" Sand Formations located within portions of Sections 7, 8, 17, 18 and 19 in Township 3 North, Range 66 West, 6th P.M. The September 1, 2010 application was heard and approved by the Commission at its November 29, 2010 hearing, and resulted in Order Nos. 232-262 and 407-381.

10. On November 24, 2010, Kerr-McGee, by its attorneys, filed a verified application (the "Application") with the Commission seeking an order to pool specifically named nonconsenting interests for certain described wells and future wells drilled in drilling and spacing units and designated wellbore spacing units established for the production of oil, gas and associated hydrocarbons from all producing formations, including but not limited to the Sussex and Dakota Formations located within portions of Sections 7, 8, 17, 18 and 19 in Township 3 North, Range 66 West, 6th P.M. This Application covers the same lands as the September 1, 2010 application, but includes the Sussex Formation, Dakota Formation, and all other producing formations.

Exhibit "A" to the Notice of Hearing concerning the Application is a spreadsheet of certain wells that Kerr-McGee has either drilled or is preparing to drill to produce gas from the Sussex, Dakota, Codell, Niobrara and "J" Sand Formations. The spreadsheet also includes the land description of the spacing unit for each well (collectively, the "Application Lands"). These wells are subject to Order Nos. 407-87 and 232-23, and Rule 318A. for the Codell and Niobrara Formations, Order No. 499-15 for the Dakota Formation, and Order No. 232-23 for the "J" Sand Formation. Sections 7 and 8 of the Application Lands are subject to Order No. 499-07 for the Sussex Formation, while sections 17, 18, and 19 of the Application Lands are subject to Rule 318., for the Sussex Formation.

Kerr-McGee has identified the following parties as owners of unleased mineral interests in each of the wells described in Exhibit "A":

Francis Nuckolls Kelly, daughter of Rupert B. Nuckolls and Georgia E. Nuckolls

Peggy Ann Stephenson, daughter of Margaret Mauss Stephenson and Ross Stephenson

("Specifically Named Parties").

11. On January 31, 2011, Kerr-McGee, by its attorneys, 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. On February 4, 2011, an Amended Notice of Hearing was served on the interested parties, which allowed any protests/interventions to be filed by February 16, 2011.

13. Testimony and exhibits submitted in support of the Application by Nancy McDonald, Landman for Kerr-McGee, showed that Kerr-McGee owns the majority of the leasehold interests within each of the drilling and spacing and wellbore spacing units for which the pooling of nonconsenting interests is requested. Additional testimony indicated that Kerr-McGee conducted a title review of mineral interests for the Application Lands and determined that ownership of the oil from certain wells is different from the ownership of the gas in those same wells, in that a deed from the early 1900's created a severance between the oil and gas mineral interests. Further testimony stated that the gas in the drilling and spacing and wellbore spacing units and their respective wells are leased, as such, no gas interests are being pooled as a result of the Application. Testimony showed that Kerr-McGee determined that over fifty parties have an interest in the oil produced from the drilling and spacing and wellbore spacing units under the Application, and that Kerr-McGee has leased the interests of all but two of these parties (the "Specifically Named Parties"). Further testimony asserted that the Specifically Named Parties own unleased oil interests in each of the drilling and spacing and wellbore spacing units and their respective wells described in Exhibit A, and that it is not known whether the Specifically Named Parties are alive or deceased and Kerr-McGee is unable to determine if they have living heirs.

14. For purposes of applications for involuntary pooling orders made pursuant to C.R.S. §34-60-116, Rule 507.b.(2) provides that "notice of the application shall be served on those persons who own any interest in the mineral estate of the tracts to be pooled." Kerr-McGee has not provided notice to the owners of the gas interests since that interest is not being pooled. Furthermore, notice of the force pooling of the oil interests of the Specifically Named Parties has not been provided to owners of the leased oil interests, as the leased oil interests are not

"nonconsenting owners" and are not being force pooled. To the extent that the Commission holds a broader interpretation of the notice rule requiring notice to any mineral interest owner in the drilling and spacing and wellbore spacing units, regardless of whether that party is being force pooled, then as a part of this Application, Kerr-McGee seeks a variance under Rule 502.b, waiving any requirement to give notice of this Application to all such mineral interest owners as otherwise may be required under Rule 507.b.(2). or 507.a.(3).

15. Kerr-McGee agrees and acknowledges that this Order only serves to pool the oil interests of Francis Nuckolls Kelly, daughter of Rupert B. Nuckolls and Georgia E. Nuckolls, and Peggy Ann Stephenson, daughter of Margaret Mauss Stephenson and Ross Stephenson, or their respective heirs, and no others.

16. In granting the notice variance requested by Kerr-McGee, the Commission is making no conclusion of law as to whether this variance is required under the facts of this case, as applied under either the Oil and Gas Conservation Act, or Commission rules.

17. Kerr-McGee agreed to be bound by oral Order of the Commission.

18. 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 the nonconsenting oil interests of the Specifically Named Parties for certain described wells and future wells drilled in the designated drilling and spacing and wellbore spacing units established for the production of oil from the Sussex and Dakota Formations located within the Application Lands and described in Exhibit A.

ORDER

NOW, THEREFORE IT IS ORDERED, that the variance requested by Kerr-McGee in this matter under Rule 502.b., waiving any requirement to give notice of this Application to the owners of the gas estate interests and the leased oil interests in the Application Lands, is hereby granted.

IT IS FURTHER ORDERED, that

1. The oil interests in the Sussex and Dakota Formations of Francis Nuckolls Kelly, daughter of Rupert B. Nuckolls and Georgia E. Nuckolls, and Peggy Ann Stephenson, daughter of Margaret Mauss Stephenson and Ross Stephenson, in the drilling and spacing and wellbore spacing units described in Exhibit A, attached hereto, are hereby pooled.

2. The wells, well locations, and the drilling and spacing and wellbore spacing units that are subject to this pooling order are those described on Exhibit A of this Order.

3. The oil production obtained from the drilling and spacing and wellbore spacing units shall be allocated to each owner in the unit on the basis of the proportion that the number of acres in each owner's tract bears to the total number of oil mineral acres within each drilling and spacing or wellbore spacing unit.

4. Any nonconsenting leased (working interest) owners must reimburse the consenting working interest owners for their share of the costs and risks of drilling and operating the oil wells (including penalties as provided by §34-60-116 (7)(b), C.R.S.) out of production from the drilling and spacing and wellbore spacing units representing the cost-bearing interests of the nonconsenting working interest owners as provided by §34-60-116(7)(a), C.R.S.

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

6. Each nonconsenting unleased owner within the drilling and spacing or wellbore 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 unleased 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 wells drilled on the above-described drilling and spacing and wellbore spacing units shall furnish the nonconsenting owners with a monthly statement of all costs incurred, together with the quantity of oil 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.

9. Nothing in this Order shall be construed as affecting the gas interests of the Application Lands.

IT IS FURTHER ORDERED, the effective date of this involuntary pooling Order is made retroactive to the earlier of either: (1) the spud date of the respective well, or (2) the date of application for this Order.

IT IS FURTHER ORDERED, that the provisions contained in the above Order shall become effective immediately.

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 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 8th day of March, 2011, as of February 22, 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
March 8, 2011

Exhibit A

Docket No. 1102-UP-12

API #	WELL NAME	DATE OF 1ST PRODUCTION	TWN	RNG	SEC	SPACING ACRES	DRILLING AND SPACING UNITS	RELEVANT ORDERS
05-123-24065	DEVON 25-8 JSND	8/7/2008	3N	66W	8	160	NWSE, NESW, SWNE, SENW	318Ae
05-123-24065	DEVON 25-8 CD-NB	1/4/2007	3N	66W	8	160	NWSE, NESW, SWNE, SENW	318Ae
05-123-18800	HSR-TUTTLE 3-8A NB-CD	1/4/2007	3N	66W	8	80	N/2NW/4	407-87
05-123-18800	HSR-TUTTLE 3-8A JSND	1/4/2007	3N	66W	8	320	W/2	232-23
05-123-18801	HSR-TUTTLE 4-8 JSND (aka TUTTLE 4-8 JSND)	1/4/2007	3N	66W	8	320	W/2	232-23
05-123-18801	HSR-TUTTLE 4-8 NB-CD (aka TUTTLE 4-8 NB-CD)	1/4/2007	3N	66W	8	160	N/2NW/4	407-87
05-123-18803	HSR-TUTTLE 6-8 JSND	1/4/2007	3N	66W	8	320	W/2	232-23
05-123-18803	HSR-TUTTLE 6-8 NB-CD	1/4/2007	3N	66W	8	80	S/2NW/4	407-87
05-123-08424	TUTTLE J BURTON GU 1	1/4/2007	3N	66W	8	320	W/2	232-23
05-123-15348	MILLER ESTATE 8-11K JSND	1/4/2007	3N	66W	8	320	W/2	232-23
05-123-20142	HSR-BELLA 13-8A JSND	1/4/2007	3N	66W	8	320	W/2	232-23
05-123-30696	BELLA 19-8 JSND	PRE COMPLETION	3N	66W	8	320	W/2	232-23
05-123-18802	HSR-TUTTLE 5-8 NB-CD (aka TUTTLE 5-8A NB-CD)	1/4/2007	3N	66W	8	160	S/2NW/4	407-87
05-123-18802	HSR-TUTTLE 5-8 JSND (aka TUTTLE 5-8A JSND)							232-23
05-123-30780	BELLA 22-8 NB-CD	3/25/2010	3N	66W	8	160	S/2NW & N/2SW/4	318Ae
05-123-24857	BELLA 21-8 NB-CD	3/22/2010	3N	66W	8	160	E/2NW & W/2NE	318Ae
05-123-24739	BELLA FEDERAL 41-7 NB-CD	3/22/2010	3N	66W	8	160	7: E/2NE 8: W/2NW	318Ae
05-123-24739	BELLA FEDERAL 41-7 JSND	PRE COMPLETION	3N	66W	8	160	7: E/2NE 8: W/2NW	318Ae
05-123-17092	HSR-STEWART 2-18 NB-CD	1/4/2007	3N	66W	18	78.162	W/2NE/4	407-87
05-123-17092	HSR-STEWART 2-18 JSAND	1/4/2007	3N	66W	18	320	E/2	232-23
05-123-17093	HSR-STEWART 7-18A NB-CD	1/31/2007	3N	66W	18	78.162	W/2NE/4	407-87
05-123-17093	HSR-STEWART 7-18A JSAND	1/4/2007	3N	66W	18	320	E/2	232-23
05-123-19185	HSR-STEWART 10-18 NB-CD	1/31/2007	3N	66W	18	80	W/2SE/4	407-87
05-123-19185	HSR-STEWART 10-18A JSND	January 4, 2007	3N	66W	18	320	E/2	232-23
05-123-20139	HSR-SHUTT FEDERAL 1-18A JSAND	shut in: 3/8/2010 flowing: 1/4/2007	3N	66W	18	320	E/2	232-23
05-123-20139	HSR-SHUTT FEDERAL 1-18A NB-CD	January 4, 2007	3N	66W	18	80	E/2NE/4	407-87
05-123-21245	SHUTT FEDERAL 8-18A JSND	shut in: 3/2/2010 flowing: 4/25/2007	3N	66W	18	320	E/2	232-23
05-123-21245	SHUTT FEDERAL 8-18A NB-CD	shut in: 3/2/2010 flowing: 2/20/2007	3N	66W	18	80	E/2NE/4	407-87
05-123-21403	SHUTT 9-18 NB-CD	January 23, 2008	3N	66W	18	80	E/2SE/4	407-87
05-123-21403	SHUTT 9-18 JSND	March 12, 2008	3N	66W	18	320	E/2	232-23
05-123-21244	SHUTT FEDERAL 16-18A NB-CD	March 10, 2008	3N	66W	18	80	E/2SE/4	407-87
05-123-21244	SHUTT FEDERAL 16-18A JSAND	August 4, 2008	3N	66W	18	320	E/2	232-23
05-123-19196	HSR-CAMP 15-18 NB-CD	April 6, 2010	3N	66W	18	80	W/2SE/4	407-87
05-123-08231	MAUDE ANDERSON GAS UNIT 1 JSND	January 4, 2007	3N	66W	18	320	E/2	232-23
05-123-09826	MAUDE ANDERSON GAS UNIT 2 JSND	shut in: 3/19/2007 flowing: 1/4/2007	3N	66W	18	320	E/2	232-23
05-123-09826	MAUDE ANDERSON GAS UNIT 2 NB-CD	April 1, 2007 PRE	3N	66W	18	160	SE/4	407-87
05-123-30844	BARRON FEDERAL 24-18 NB-CD	DRILL/PREPARING TO DRILL PRE	3N	66W	18	160	S/2NE/4 & N/2SE/4	407-87
05-123-30830	BARRON 39-18 NB-CD	DRILL/PREPARING TO DRILL PRE	3N	66W	18	160	18: E/2SE/4 17: W/2SW/4	318Ae
05-123-30835	BARRON FEDERAL 37-18 NB-CD	PRE DRILL/PREPARING TO DRILL	3N	66W	18	160	18: S/2SE/4 19: N/2NE/4	318Ae
05-123-30845	BARRON FEDERAL 23-18 NB-CD	PRE DRILL/PREPARING TO DRILL	3N	66W	18	160	E/2SW & W/2SE/4	318Ae
05-123-30776	BELLA FEDERAL 36-7 NB-CD	February 1, 2010	3N	66W	18	160	7: SE/4SW/4, SW/4 SE/4 18: NE/4NW/4, NW/4NE/4	318Ae
05-123-30776	BELLA FEDERAL 36-7 JSAND	-	3N	66W	18	160	7: SE/4SW/4, SW/4 SE/4 18: NE/4NW/4, NW/4NE/4	318Ae
05-123-30783	BELLA FEDERAL 37-7 NB-CD	February 1, 2010	3N	66W	18	160	7: S/2SE/4 18: N/2NE/4	318Ae