



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

IN THE MATTER OF THE PROMULGATION AND
ESTABLISHMENT OF FIELD RULES TO GOVERN
OPERATIONS IN THE WATTENBERG FIELD,
WELD COUNTY, COLORADO

) CAUSE NO. 407
)
) ORDER NO. 407-385
)

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission at 9:00 a.m. on January 13, 2011, in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to pool all nonconsenting interests within two designated 160-acre wellbore spacing units located in Section 29, 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. Petroleum Development Corporation ("PDC"), 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 COGCC issued Order No. 407-1 (amended on March 29, 2000), 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 with the unit to be designated by the operator drilling the first well in the quarter section. The permitted well shall be located in the center of either 40-acre tract within the unit with a tolerance of 200 feet in any direction. The operator shall have the option to drill an additional well on the undrilled 40-acre tract in each 80-acre drilling and spacing unit. Section 29, Township 4 North, Range 67 West, 6th P.M. is subject to this order.
5. On February 19, 1992, the COGCC issued Order No. 407-87 (amended August 20, 1993), 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, with the permitted well locations in accordance with the provisions of Order No. 407-1. Section 29, Township 4 North, Range 67 West, 6th P.M. is subject to this order.
6. 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 recompleat 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. Rules 318A.a.(4)C. and 318A.e. provide that if a well is located less than 460 feet from the governmental quarter-quarter section boundary, a wellbore spacing unit for such well shall be comprised of the four governmental quarter-quarter sections nearest to the wellbore regardless of section or quarter section lines. Section 29, Township 4 North, Range 67 West, 6th P.M. is subject to this Rule for the Codell and Niobrara Formations.
7. On October 8 2010, Petroleum Development Corporation ("PDC" or "Applicant") by its attorneys, filed with the Commission a verified application for an order to: (1) pool all nonconsenting interests within a 160-acre designated wellbore spacing unit for the below-described lands (to accommodate the Reichert #29PDU Well (API No. 05-123-31079), which was spud on July 3, 2010, with a bottomhole location of 1,318 feet FSL and 2,443 feet FEL in the SW¹/₄ SE¹/₄ of Section 29, Township 4 North, Range 67 West, 6th P.M.), for the development and operation of the Codell and Niobrara Formations:

Township 4 North, Range 67 West, 6th P.M.
Section 29: E¹/₂ SW¹/₄ and W¹/₂ SE¹/₄

and, (2) pool all nonconsenting interests within a 160-acre designated wellbore spacing unit for the below-described lands (to accommodate the Reichert #29SDU Well (API No. 05-123-31091), which was spud on June 17, 2010, with a bottomhole location of 2,531 feet FSL and 1,240 feet FEL in the NE¹/₄ SE¹/₄ of said Section 29), for the development and operation of the Codell and Niobrara Formations:

Township 4 North, Range 67 West, 6th P.M.
Section 29: S¹/₂ NE¹/₄ and N¹/₂ SE¹/₄

Further, PDC requests that this pooling order be retroactive to the spud date of each well.

8. On December 30, 2010, PDC, 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.

9. Testimony and exhibits submitted in support of the application by Carrie Eggleston, Landman for PDC, showed that PDC is mineral leaseholder underlying the application lands. Additional testimony showed a list of all working interest owners for the wellbore spacing units and alleged that despite diligent efforts, PDC was unable to locate OMX Corporation, the sole nonconsenting owner in the wellbore spacing units. Further testimony indicated that offers to lease or to participate were constructively sent to the nonconsenting owner 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 the last known address of 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 PDC has complied with the requirements of Rule 530.a. and §34-60-116(7)(d), C.R.S.

10. The above-referenced testimony and exhibits show that granting the application will allow more efficient reservoir drainage, will prevent waste, will assure a greater ultimate recovery of gas, and will not violate correlative rights.

11. PDC agreed to be bound by oral order of the Commission.

12. 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 within two designated 160-acre wellbore spacing units, described above in Finding No. 7, located in Section 29, 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 within a 160-acre designated wellbore spacing unit for the below-described lands (to accommodate the Reichert #29PDU Well, located in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 29, Township 4 North, Range 67 West, 6th P.M.) are hereby pooled, and made subject to the penalty provisions of section 34-60-116 (7) C.R.S. for the development and operation of the Codell and Niobrara Formations:

Township 4 North, Range 67 West, 6th P.M.
Section 29: E $\frac{1}{2}$ SW $\frac{1}{4}$ and W $\frac{1}{2}$ SE $\frac{1}{4}$

2. Pursuant to the provisions of §34-60-116, C.R.S., as amended, of the Oil and Gas Conservation Act, the nonconsenting interests within a 160-acre designated wellbore spacing unit for the below-described lands (to accommodate the Reichert #29SDU Well, located in the NE $\frac{1}{4}$ SE $\frac{1}{4}$ of said Section 29) are hereby pooled, and made subject to the penalty provisions of section 34-60-116 (7) C.R.S. for the development and operation of the Codell and Niobrara Formations:

Township 4 North, Range 67 West, 6th P.M.
Section 29: S $\frac{1}{2}$ NE $\frac{1}{4}$ and N $\frac{1}{2}$ SE $\frac{1}{4}$

3. This pooling order shall apply as to the respective spud dates of the Reichert #29PDU Well and the Reichert #29SDU Well.

4. The production obtained from the wellbore 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 wellbore spacing unit; each owner of an interest in the wellbore spacing unit shall be entitled to receive its share of the production of the well located on the wellbore spacing unit applicable to its interest in the wellbore spacing unit.

5. Each nonconsenting owner within the 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 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.

6. Because the sole nonconsenting owner, OMX Corporation, cannot be located, the operator of the well drilled on the above-described wellbore spacing unit shall not be required to 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, until the nonconsenting

owner can be located. Such records shall, however, be maintained in the event that the nonconsenting owner is located at a future time.

7. 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.

10.5

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