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

IN THE MATTER OF THE PROMULGATION AND)	CAUSE NO. 5
ESTABLISHMENT OF FIELD RULES TO GOVERN)	
OPERATIONS IN THE PEETZ WEST FIELD, LOGAN)	ORDER NO. 5-3
COUNTY, COLORADO)	

REPORT OF COMMISSION

This cause was heard by the Commission on November 29, 2010, in Suite 801, at The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to approve the establishment of the enhanced recovery unit and enhanced recovery operations for certain portions of the "J" Sand Formation in the Peetz West Field, Logan County, Colorado for an enhanced recovery project.

FINDINGS

The Commission finds as follows:

1. East Cheyenne Gas Storage, LLC ("East Cheyenne") 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 401. of the Rules and Regulations of the Commission states that prior to performing enhanced recovery operations or carrying on any method of unit operations, written authorization from the Commission must first be obtained.
5. On June 1, 2010, the Commission issued Order No. 5-1, which among other things, established an enhanced recovery unit and authorized enhanced recovery operations for the below-listed lands ("Application Lands"), for the development and operation of the "J" Sand Formation:

Township 11 North, Range 52 West, 6th P.M.
Section 6: Lots 1, 2, 3, 4, 5, 6, and 7, the S $\frac{1}{2}$ NE $\frac{1}{4}$, the E $\frac{1}{2}$ SW $\frac{1}{4}$, the SE $\frac{1}{4}$ NW $\frac{1}{4}$, and the SE $\frac{1}{4}$

Township 12 North, Range 52 West, 6th P.M.
Section 31: Lots 3 and 4, the SE $\frac{1}{4}$, and the E $\frac{1}{2}$ SW $\frac{1}{4}$

Township 11 North, Range 53 West, 6th P.M.
Section 1: Lot 1 and the SE $\frac{1}{4}$ NE $\frac{1}{4}$

Township 12 North, Range 53 West, 6th P.M.
Section 36: E $\frac{1}{2}$ SE $\frac{1}{4}$

Further, the Commission ordered that the establishment of the enhanced recovery unit and enhanced recovery operations for the Application Lands, for the development and operation of the "D" Sand Formation, shall become effective upon further Order of the Commission following a demonstration by East Cheyenne that 80% or more of the royalty interest owners have approved and consent to the proposed unit.

6. On October 6, 2010, East Cheyenne, by its attorney, filed with the Commission a verified application ("Application") alleging that East Cheyenne has obtained the written approval and consent of 80% or more of the royalty interest owners required to make effective the establishment of the enhanced recovery unit and authorize enhanced recovery operations for the above-listed lands, for the development and operation of the "J" Sand Formation.

7. On November 15, 2010, East Cheyenne, by its attorney, filed with the Commission a written request pursuant to Rule 511., 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 Arlen J. Hershberger, consulting Landman for East Cheyenne, showed that East Cheyenne has in fact acquired the written

consent of over 80% of the royalty interest owners in the Application Lands.

9. 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 oil, gas and associated hydrocarbons, and will not violate correlative rights.

10. East Cheyenne Gas Storage, LLC, agreed to be bound by an 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., it is recommended that the Commission should enter an order approving the establishment of the enhanced recovery unit and enhanced recovery operations for certain portions of the "J" Sand Formation in the Peetz West Field, Logan County, Colorado for an enhanced recovery project.

ORDER

NOW, THEREFORE IT IS ORDERED that an enhanced recovery unit and enhanced recovery operations are hereby approved for the below-described lands, for the operation and development of the "J" Sand Formation:

Township 11 North, Range 52 West, 6th P.M.

Section 6: Lots 1, 2, 3, 4, 5, 6, and 7, the S $\frac{1}{2}$ NE $\frac{1}{4}$, the E $\frac{1}{2}$ SW $\frac{1}{4}$, the SE $\frac{1}{4}$ NW $\frac{1}{4}$, and the SE $\frac{1}{4}$

Township 12 North, Range 52 West, 6th P.M.

Section 31: Lots 3 and 4, the SE $\frac{1}{4}$, and the E $\frac{1}{2}$ SW $\frac{1}{4}$

Township 11 North, Range 53 West, 6th P.M.

Section 1: Lot 1 and the SE $\frac{1}{4}$ NE $\frac{1}{4}$

Township 12 North, Range 53 West, 6th P.M.

Section 36: E $\frac{1}{2}$ SE $\frac{1}{4}$

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 -22nd day of December 2010, as of November 29, 2010.

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
December 22, 2010