



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. 407-336  
WELD COUNTY, COLORADO ) **CORRECTED**

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission at 9:00 a.m. on August 18, 2009, at the La Quinta Inn & Suites, 2833 Toupal Drive, Trinidad, Colorado, for an order to establish two 160-acre wellbore spacing units for certain lands located in Section 14, Township 5 North, Range 67 West, 6<sup>th</sup> P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said wellbore spacing units, for the development and operation of the Codell and Niobrara Formations.

FINDINGS

The Commission finds as follows:

1. Noble Energy, Inc. ("Noble"), 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), 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 14, Township 5 North, Range 67 West, 6<sup>th</sup> P.M., 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.
5. On February 19, 1992, the Commission 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, including Section 14, Township 5 North, Range 67 West, 6<sup>th</sup> 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., 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, among other things, allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. Section 14, Township 5 North, Range 67 West, 6<sup>th</sup> P.M. is subject to this Rule for the Codell and Niobrara Formations.
7. On April 21, 2009, Noble Energy, Inc., by its attorney, filed with the Commission a verified application for an order to establish two 160-acre wellbore spacing units for the below-listed lands (to accommodate the below-listed wells), for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in those 160-acre wellbore spacing units, for the development and operation of the Codell and Niobrara Formations:

Township 5 North, Range 67 West, 6<sup>th</sup> P.M.

Roach N #14-21 Well

Section 14: SE $\frac{1}{4}$  NW $\frac{1}{4}$ , SW $\frac{1}{4}$  NE $\frac{1}{4}$ ,  
NE $\frac{1}{4}$  SW $\frac{1}{4}$ , and NW $\frac{1}{4}$  SE $\frac{1}{4}$

Roach N #14-18D Well

Section 14: E $\frac{1}{2}$  NW $\frac{1}{4}$  and W $\frac{1}{2}$  NE $\frac{1}{4}$

8. On May 21, 2009, Merit Energy Company, LLC ("Merit"), by its attorney, filed a Protest to the application. Prehearing conferences involving the parties, as provided for by Rules 509 and 527, were conducted on May 29, 2009 and August 5, 2009, and two continuances were granted to further discussion between the parties. On August 12, 2009, Merit, by its attorney, filed a withdrawal of its Protest.

9. On August 12, 2009, Noble, 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.

10. Testimony and exhibits submitted in support of the application showed that Noble is the majority mineral leaseholder of lands underlying the application lands. Additional testimony showed a list of all consenting and nonconsenting owners for the respective wellbore spacing units, and demonstrated that unleased and non-participating interests comprise 25.0% of the lands associated with the Roach N #14-18D Well and 27.5% of the lands associated with the Roach N #14-21D Well. Further testimony indicated that offers to lease or to participate were sent to the nonconsenting owners, and that said offers were sent via US Mail, at least 30 days prior to the August 18, 2009 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 Noble has complied with the requirements of Rule 530.a. and §34-60-117(7)(d), C.R.S.

11. 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.

12. Noble Energy, Inc. agreed to be bound by oral order of the Commission.

13. Based on the facts stated in the verified application, having received one protest which was subsequently withdrawn, and based on the Hearing Officer review of the application under Rule 511, the Commission should enter an order to establish two 160-acre wellbore spacing units for certain lands located in Section 14, Township 5 North, Range 67 West, 6<sup>th</sup> P.M., for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and to pool all nonconsenting interests in said wellbore spacing units, for the development and operation of the Codell and Niobrara Formations.

ORDER

NOW, THEREFORE IT IS ORDERED, that two 160-acre wellbore spacing units are hereby established for the below-listed lands (to accommodate the below-listed wells), for the production of oil and associated hydrocarbons from the Codell and Niobrara Formations, and that, 1. Pursuant to the provisions of §34-60-116, C.R.S., as amended, of the Oil and Gas Conservation Act of the State of Colorado, the nonconsenting interests in said wellbore spacing units are hereby pooled, for the development and operation of the Codell and Niobrara Formations:

Township 5 North, Range 67 West, 6<sup>th</sup> P.M.

Roach N #14-21 Well

Section 14: SE $\frac{1}{4}$  NW $\frac{1}{4}$ , SW $\frac{1}{4}$  NE $\frac{1}{4}$ ,  
NE $\frac{1}{4}$  SW $\frac{1}{4}$ , and NW $\frac{1}{4}$  SE $\frac{1}{4}$

Roach N #14-18D Well

Section 14: E $\frac{1}{2}$  NW $\frac{1}{4}$  and W $\frac{1}{2}$  NE $\frac{1}{4}$

2. 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 his/her share of the production of the well located on the wellbore spacing unit applicable to his/her interest in the wellbore spacing unit.

3. Said 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. The nonconsenting unleased mineral owners within the wellbore spacing unit shall be treated as the owner of the landowner's royalty to the extent of 12.5% of his/her record title interest, whatever that interest may be, until such time as the consenting owner recovers, only out of the 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, the nonconsenting mineral owner shall then own his/her proportionate 8/8ths share of the well, surface facilities and production, and then be liable for his/her 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 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.

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.

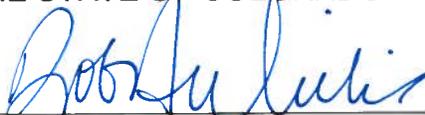
IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

ENTERED this 25<sup>TH</sup> day of August, 2009, as of August 18, 2009.

**CORRECTED this 9<sup>th</sup> day of December, 2010 as of August 18, 2009.**

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 9, 2010**