



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

IN THE MATTER OF THE PROMULGATION AND	)	CAUSE NO. 421
ESTABLISHMENT OF FIELD RULES TO	)	
GOVERN OPERATIONS IN THE HEREFORD	)	ORDER NO. 421-1
FIELD, WELD COUNTY, COLORADO	)	<b>CORRECTED</b>

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on February 22, 2010, at 9:00 a.m., in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to establish 58 approximate 640-acre drilling and spacing units for the lands ("Application Lands") listed below for production of oil and gas and associated hydrocarbons from the Niobrara Formation:

Township 11 North, Range 62 West, 6th P.M.

Sections 5 through 8:	All
Sections 17 through 20:	All
Section 29:	All
Section 30:	All

Township 11 North, Range 63 West, 6th P.M.

Sections 1 through 5:	All
Sections 8 through 17:	All
Sections 20 through 29:	All

Township 12 North, Range 62 West, 6th P.M.

Sections 19 through 22:	<b>All portions of these sections within the State of Colorado and excluding those portions within the State of Wyoming</b>
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Sections 26 through 32:	All
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Township 12 North, Range 63 West, 6th P.M.

Sections 21 through 24	<b>All portions of these sections within the State of Colorado and excluding those portions within the State of Wyoming</b>
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Sections 25 through 28:	All
Section 33 through 36:	All

FINDINGS

The Commission finds as follows:

1. EOG Resources, Inc. ("EOG"), 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.

4. Rule 318.a. of the Rules and Regulations of the Commission requires that wells drilled in excess of 2,500 feet in depth be located not less than 600 feet from any lease line, and located not less than 1,200 feet from any other producible or drilling oil or gas well when drilling to the same common source of supply. The Application Lands are subject to this Rule for the Niobrara Formation.

5. On December 29, 2009, EOG, by its attorney, filed with the Commission a verified application for an order to establish 58 approximate 640-acre drilling and spacing units for the Application Lands for the production of oil and gas and associated hydrocarbons from the Niobrara Formation, and allow one horizontal well in each of the units with a bottom-hole location no closer than 600 feet from the boundaries of each unit.

6. No protests or interventions to EOG's application were received by the Commission. An administrative hearing was conducted before the staff of the Commission on February 9, 2010, during which EOG provided testimony and exhibits in support of the application.

7. Testimony and exhibits in support of the application showed that EOG has either fully or partially leased the mineral interests in the Application Lands except in three 160-acre tracts and two 320-acre tracts, that all but two sections are private fee lands with few severed mineral interests in the area, and that surface owners were supportive of one horizontal well per 640 acres.

8. Testimony and exhibits in support of the application showed that the Niobrara Formation is a sequence of chinks, marls, and limestones that were deposited in the Western Interior Seaway during Cretaceous time. The rocks were deposited as deep water sediments and underlie most of the Denver-Julesburg Basin in parts of northeastern Colorado, southeastern Wyoming, and southwestern Nebraska. A subsea structure map on top of the Niobrara Formation indicated regional dip is approximately one-half a degree to the west. An isopach map of the Niobrara Formation showed total thickness ranges from approximately 250-290 feet under the Application Lands. A type log for the Niobrara Formation showed that it consists of two members, the Smoky Hill Chalk and the Fort Hayes Limestone. A stratigraphic cross-section, zigzagging across the Application Lands, showed the Niobrara Formation to be consistent, continuous, and underlying all the Application Lands as a common source of supply.

9. Testimony and exhibits in support of the application showed that analysis of the Kern #43-33 Well, a vertical well producing from the Niobrara Formation located on adjacent lands, indicated that the estimated ultimate recovery ("EUR") for said well is approximately 38,450 barrels of oil and the original oil-in-place ("OOIP") is 769,293 barrels of oil, resulting in a corresponding drainage area of approximately 23 acres. The first exploratory horizontal well drilled by EOG on the Application Lands, the Jake #2-01 H Well, has an EUR of 250,000 barrels of oil and an OOIP of 5,000,000 barrels of oil with a corresponding drainage area of approximately 152 acres. The Silo field, 25 miles north in Wyoming, is a major field producing from the Niobrara Formation. Since the early 1980s, 10,000,000 barrels have been produced from vertical and horizontal wells. EUR and drainage estimates (which vary from 35 to 492 acres) for the Silo field were included in EOG's engineering analysis. Additional testimony indicated granting the proposed spacing application will result in efficient and economic development of Application Lands.

10. EOG agreed to be bound by the oral order of the Commission.

11. Based on the facts stated in the verified application, having received no protests, and the testimony and exhibits having been considered by the Hearing Officer at an administrative hearing, the Commission should enter an order to establish 58 approximate 640-acre drilling and spacing units for the Application Lands, for the production of oil and gas and associated hydrocarbons from the Niobrara Formation, with no more than one horizontal well to be drilled in each unit from a surface location anywhere in the unit with the horizontal leg and bottom-hole location to be no closer than 600 feet from the boundaries of each unit.

ORDER

NOW, THEREFORE, IT IS ORDERED, that the following 58 approximate 640-acre drilling and spacing units for the production of oil, gas and associated hydrocarbons from the Niobrara Formation are hereby established with no more than one horizontal well to be located in each of the units. The surface location for each horizontal well shall be located anywhere upon the drilling and spacing unit, provided that the horizontal leg into the Niobrara Formation shall not be closer than 600 feet to the outside boundary of the drilling unit and the terminus of the horizontal leg shall not be any closer than 600 feet to the outside boundary of the drilling and spacing unit without exception being granted by the Director of the Oil and Gas Conservation Commission.

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Section 30: All

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Sections 25 through 28: All

Section 33 through 36: All

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.

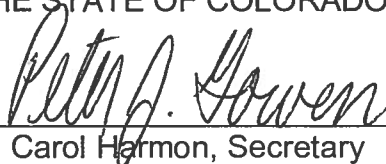
IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

ENTERED this 9<sup>th</sup> day of March, 2010, as of February 22, 2010.

**CORRECTED this 19<sup>th</sup> day of January, 2012, as of February 22, 2010**

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By



Carol Harmon, Secretary

**Peter J. Gowen, Acting Secretary**

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
March 9, 2010  
**Corrected January 19, 2012**

