Continued

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 LOVELAND FIELD, LARIMER COUNTY, COLORADO	)))))	CAUSE NO. 1 Docket 2-16

PURSUANT TO NOTICE to all parties in interest, the above-entitled matter came duly on for hearing at the State Education Building, Room 101, 201 E. Colfax Avenue, Denver, Colorado 80203, on Wednesday, February 19, 1992.

BEFORE:

Commissioner Ed McCord

Commissioner Rogers Johnson

Commissioner Truman Anderson

Chairman John Welborn

Commissioner Gretchen VanderWerf

Commissioner John Campbell

Dennis Bicknell, Director

Patricia Beaver, Technical Secretary

Tim Monahan, Assistant Attorney General

CHAIRMAN WELBORN: The next matter is Cause No. 1, Docket 2-16. The applicant is Skaer, S-k-a-e-r, Enterprises, through its counsel, Mr. Odell. There is a request to continue the matter to the March hearing; is that correct?

MR. BICKNELL: That's correct.

CHAIRMAN WELBORN: All right. Is there any objection to -- it's not been continued before. Is there any objection to continuing this matter to the March hearing? Hearing none, the matter is continued to March.

(Thereupon this portion of the proceedings were concluded.)

1 CERTIFICATE

2

3 STATE OF COLORADO) ss

4 CITY AND COUNTY OF DENVER)

5

6 I, Harriet S. Weisenthal, Certified Shorthand Reporter and Notary Public for the City and
7 County of Denver, State of Colorado, do hereby certify that the foregoing proceedings were taken in
8 shorthand by me at 201 E. Colfax, Denver, Colorado on the 19th day of February, 1992, and was reduced to
9 typewritten form under my supervision;

10 That the foregoing is a true transcript of the proceedings had; that I am neither
11 attorney nor counsel, nor in any way connected with any attorney or counsel for any of the parties to
12 said action or otherwise interested in the event;

13 IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 4th
14 day of May, 1992.
My Commission expires October 15,
15 1993.

16 Harriet Weisenthal

17 Harriet S. Weisenthal

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(API # 1-24) Dismissed

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BEFORE THE OIL AND GAS CONSERVATION COMMISSION

OF THE STATE OF COLORADO

ORIGINAL

IN THE MATTER OF THE PROMULGATION AND ESTABLISHMENT OF FIELD RULES TO GOVERN OPERATIONS IN THE IGNACIO-BLANCO FIELD, LA PLATA COUNTY, COLORADO	)))))	CAUSE NO. 1 Docket 3-2-16

PURSUANT TO NOTICE to all parties in interest, the above-entitled matter came duly on for hearing at the State Education Building, Room 101, 201 E. Colfax Avenue, Denver, Colorado 80203, on Monday, March 16, 1992.

BEFORE:

Commissioner Ed McCord

Commissioner Truman Anderson

Chairman John Welborn

Commissioner John Campbell

Dennis Bicknell, Director

Patricia Beaver, Technical Secretary

Tim Monahan, Assistant Attorney General

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1 CHAIRMAN WELBORN: Now, Mr. Bicknell,
2 I will be guided by you. Should we go to Docket 3-3
3 or should we go to 3-2-16?
4 MR. BICKNELL: You might want to ask
5 the attorney general if he has any thoughts on
6 3-2-16. Other than that, I am not much guidance to
7 you. I believe all of the parties are here, ready to
8 go.
9 MR. MONAHAN: I have looked at the
10 materials that have been submitted in 3-12-16 and --
11 CHAIRMAN WELBORN: It's 3-2-16.
12 MR. MONAHAN: I am sorry. I don't
13 know. It's the pleasure of the commission to decide
14 how to handle the case, whichever you want to take
15 first.
16 CHAIRMAN WELBORN: Let's see who is
17 here, see how much time it looks like it's going to
18 take. Cause No. 467, Docket 3-3. This is Martin
19 Exploration Management Company, through Mr. Bate.
20 MR. BATE: Richard Bate appearing for
21 the applicant.
22 CHAIRMAN WELBORN: How long do you
23 think you are going to be?
24 MR. BATE: I think our case-in-chief
25 will take, approximately, half hour to 45 minutes.

1 There are a number of protestants.

2 CHAIRMAN WELBORN: All right. And in

3 Docket 3-2-16, the applicant is Billy Ray and Louise

4 Clary. Mr. Clary.

5 MR. CLARY: Yes.

6 CHAIRMAN WELBORN: How long is that

7 going to --

8 MR. CLARY: Might be two or three

9 hours. I don't know.

10 CHAIRMAN WELBORN: No, it won't take

11 that long.

12 MR. CLARY: Maybe an hour.

13 CHAIRMAN WELBORN: I can almost

14 guarantee you, it won't take two or three. If it

15 takes over two, we stop listening. So you are going

16 to have to fit it into a shorter period of time. Who

17 else is here on that case?

18 MR. McKIM: Mr. Chairman, Brad McKim

19 from Amoco Production Company.

20 MR. ODELL: Bill Odell representing

21 P&M Petroleum Management and Hardscrabble Associates.

22 CHAIRMAN WELBORN: Is there any

23 advantage going to be gained by giving you -- the

24 three of you -- time to talk in the hall about this

25 case?

1 MR. CLARY: I would like to present
2 everything I have got to the board.
3 CHAIRMAN WELBORN: What we really try
4 to encouarge, here, is people to get along on their
5 own, and I would like to know that every effort has
6 been made to do that, without our help first.
7 MR. CLARY: Well, Amoco never has gave
8 me no information for nothing. They never told me
9 nothing.
10 CHAIRMAN WELBORN: They are here
11 today, and it might help at least narrow the issues
12 if you could meet and talk about it.
13 MR. MONAHAN: Mr. McKim, did you send
14 the division orders and production information to the
15 Clarys?
16 MR. McKIM: Yes, I did.
17 MR. MONAHAN: Mr. Clary, have you had
18 an opportunity to review the division orders and
19 production information that was submitted by Amoco?
20 Again, Mr. Clary, you have to understand that the
21 commission is a board of limited jurisdiction; that
22 we talked about at the prior hearing; and there are a
23 number of issues that you raised that the commission
24 is without jurisdiction to look at. The issues that
25 we outlined before, I can go through them again and

1 tell you exactly the ones that the commission does
2 not have jurisdiction over and the ones that they do
3 have jurisdiction over.
4 MR. CLARY: I understand what you told
5 me, and here's what I want to make -- here's what I
6 wanted to bring out, and I wanted to bring this out
7 to you at the last meeting when you all shut me off.
8 MR. MONAHAN: We need to have that
9 production information because this is a proceeds
10 hearing. And the issue before the commission is what
11 production has taken place, and what are you entitled
12 to be paid for. That's the only issue that we can
13 look at. We are not empowered to look at the issues
14 concerning the domestic taps, or the production of
15 water that we discussed before.
16 MR. CLARY: I want to talk about gas
17 today.
18 CHAIRMAN WELBORN: In what respect?
19 On payment of proceeds for gas sales?
20 MR. CLARY: Where's that deal?
21 CHAIRMAN WELBORN: Well, just -- no.
22 Can you answer my question? Does it concern payment
23 of proceeds on gas sales?
24 MR. CLARY: Yes, produced off of my
25 property.

1 CHAIRMAN WELBORN: I would like to --
2 MR. CLARY: On property that I am
3 pooled on.
4 CHAIRMAN WELBORN: What I would like
5 to see, there is a good faith effort to resolve these
6 issues without resorting to the commission. To that
7 end, I would like you, while everybody is here in
8 Denver and can talk about it, to make that effort
9 person to person. And we will take this matter up
10 some time this afternoon.
11 MR. CLARY: Okay.
12 CHAIRMAN WELBORN: If you would --
13 there's no reason that you have to be here for our
14 next hearing. We're going to start on the Martin
15 hearing, and I don't think Mr. Odell needs to be here
16 on the Martin hearing, and I don't think Amoco does
17 either. And, so, now is a great time for the three
18 of you to try to resolve this, without having the
19 commission be involved.
20 MR. MONAHAN: Mr. Chairman, if I
21 might, Mr. Clary, do you contest the division orders
22 that you were supplied by Amoco?
23 MR. CLARY: Yes, sir, uh-huh.
24 MR. MONAHAN: They indicate that you
25 own in excess of 313 aches --

1 MR. CLARY: Uh-hum.

2 MR. MONAHAN: -- in the disputed

3 area. Do you contest that figure?

4 MR. CLARY: I contest it. I have got

5 the documents here to show you, where I own more.

6 MR. MONAHAN: How much more do you

7 own? You don't need to show me the documents right

8 now.

9 MR. CLARY: Own 320 acres totally,

10 with 6.61, it comes out, for the railroad, and in the

11 south half of 19.

12 MR. MONAHAN: But 320 minus the 6.61

13 acres, equals a figure of slightly in excess of 313

14 acres. That is what, as I understand it, and Mr.

15 McKim is here, that is what I understand Amoco says

16 that you presently own.

17 CHAIRMAN WELBORN: So you agree with

18 that?

19 MR. CLARY: I own -- you take 6.61 of

20 acre off the 320 acres.

21 MR. MONAHAN: That's 313 acres plus

22 39/100 --

23 MR. CLARY: Uh-huh.

24 MR. MONAHAN: -- that Amoco currently

25 indicates that you own. You don't contest that, Mr.

1 McKim?

2 MR. McKIM: Mr. Chairman, if I can,

3 real briefly, because we have talked and talked.

4 MR. CLARY: I own at least 310.

5 MR. McKIM: I don't think that's going

6 to do anything. I really don't. I hate to burden

7 the commission with that. But the fact of the matter

8 is, it's not going to accomplish anything, because

9 Mr. Clary has a lease that says he's been leased 310

10 acres; that we don't -- that he leased 310 acres,

11 more or less. Mr. Clary continues to say that

12 there's the 6.61 acres you take off the 320 that

13 leaves 3. --

14 MR. MONAHAN: 313.39.

15 MR. McKIM: There's the -- this three

16 acres up for grabs, basically. Mr. Clary, what we

17 tried to explain to Mr. Clary, his lease says 310

18 acres more or less. So we have -- the full 313 acres

19 has been leased.

20 CHAIRMAN WELBORN: Right.

21 MR. McKIM: That's what division

22 order, title opinions, everything has said.

23 CHAIRMAN WELBORN: The problem is this

24 commission is not the place to come to when you have

25 a dispute over contractual rights. And if the

1 dispute here -- it sounds to me like it is a dispute
2 over contractual rights. The place for this is in
3 court.
4 MR. MONAHAN: That's correct, Mr.
5 Chairman, except for the production information that
6 we have been given. The contractual provision
7 concerning water production, or concerning domestic
8 taps, I have already told Mr. Clary that the
9 jurisdiction of the commission does not exist for
10 them to address that question. But the commission
11 does have the jurisdiction to talk about the
12 production that's taken place. Now, as I understand
13 it, there's no dispute that Mr. Clary holds a lease
14 or has given a lease for 313.39 acres.
15 CHAIRMAN WELBORN: Well, is there?
16 MR. MONAHAN: No.
17 CHAIRMAN WELBORN: You agree that
18 313.39 acres is leased, yes or no.
19 MR. CLARY: No. 320 is leased and I
20 leased it for $20 a acre, and it was a $620 check.
21 CHAIRMAN WELBORN: I got the note. So
22 that's the issue. The issue -- one of the issues
23 anyway. And I am not qualified, as an oil and gas
24 commissioner, to say whether a lease that recites 310
25 more or less, means 313.39.

1 MR. MONAHAN: It describes the
2 property that's owned by Mr. Clary in a particular
3 section.
4 CHAIRMAN WELBORN: This does have a
5 Mother Hubbard clause in it. To me, there are
6 questions that are involved here that were not
7 qualified.
8 MR. CLARY: I have got a letter from
9 Bill Thurston. He admitted that he only leased 310.
10 CHAIRMAN WELBORN: I know that. What
11 my problem is, is getting an issue in front of this
12 commission that this commission can decide. And this
13 is sounding an awful lot to me like you need to hire
14 an attorney and go to court. What other issues were
15 there that we need to hear? Do we need to hear the
16 question of how much production there's been?
17 MR. MONAHAN: That's correct; and
18 whether or not Mr. Clary has been paid for that
19 production.
20 CHAIRMAN WELBORN: All right. To the
21 extent that the issue over whether he's been paid is
22 based on what has been leased, we can't get into. To
23 the extent the issue is over whether he's been paid,
24 doesn't relate to that, probably can -- we can't
25 construe an oil and gas lease, one way or the other.

1 MR. MONAHAN: That's correct, but I
2 was understanding, Mr. Clary had said that he leased
3 313.39 acres.
4 CHAIRMAN WELBORN: He just said he
5 didn't.
6 MR. CLARY: I leased 310 acres, and
7 what they did, what they did, they leased railroad
8 right-of-way in the south half of 18, and I have got
9 a document for the government, I have got a land
10 patent for it. Don't show no railroad since then.
11 CHAIRMAN WELBORN: All right. Mr.
12 Clary, this is a proceeds statute. Not a title
13 statute.
14 MR. CLARY: Uh-hum.
15 CHAIRMAN WELBORN: I just see it as
16 dangerous precedent for us to start trying to
17 construe documents one way or the other. Do you
18 agree with me?
19 MR. MONAHAN: I agree with you. I
20 understood Mr. Clary, at a prior time, as having
21 agreed with Amoco that 313.39 acres were leased. If
22 that's not the case, Mr. Clary has brought up his own
23 lease dispute.
24 MR. CLARY: I never have agreed that I
25 leased them 313 acres --

1 CHAIRMAN WELBORN: It was a
2 misunderstanding.
3 MR. CLARY: -- leased it to Amoco.
4 CHAIRMAN WELBORN: Your clear position
5 is you have leased only 310.
6 MR. CLARY: That's correct.
7 CHAIRMAN WELBORN: Were you paid for
8 310?
9 MR. CLARY: I was paid for 310.
10 CHAIRMAN WELBORN: Paid for 310. You
11 feel that there's another three plus acres unleased
12 for which you are entitled to payment or
13 participation or both.
14 MR. CLARY: Uh-huh.
15 CHAIRMAN WELBORN: And you are seeking
16 relief under our proceeds statute?
17 MR. CLARY: Uh-huh.
18 CHAIRMAN WELBORN: Amoco disputes that
19 there's another three plus unleased. That dispute is
20 not an issue that we can resolve.
21 MR. CLARY: Uh-hum.
22 CHAIRMAN WELBORN: My inclination,
23 therefore, is to dismiss the application.
24 MR. CLARY: I have got papers in black
25 and white. It shows that I own.

1 CHAIRMAN WELBORN: I know that. I
2 wish you the best, in a forum where that can be
3 decided. If we were to decide that today and, let's
4 say, we decided in your favor, Amoco would appeal it,
5 and sue us. I will have to hire a lawyer to defend
6 myself. I don't want to do that. We would be wrong
7 to decide it. The place to decide that is in court.
8 MR. CLARY: How do I got to court when
9 I can't hire a lawyer, and in Durango, Colorado, to
10 represent me? I can't get nobody to help me file my
11 case. I can't present it in court.
12 CHAIRMAN WELBORN: You don't need a
13 lawyer to go to court. You can certainly present it
14 on your own, pro se.
15 MR. CLARY: I was up there in that
16 court January 1, March '91.
17 CHAIRMAN WELBORN: Right. But the
18 problem is that --
19 MR. CLARY: I didn't get the job done.
20 CHAIRMAN WELBORN: I understand that
21 and I am sorry for that. If you want help finding an
22 attorney in Durango, I would be glad to help you,
23 outside of this proceeding, off the record, as a
24 favor to my fellow commissioners, in the hope that it
25 would resolve this thing. But, what I am telling

1 you, that the issues that you have presented here,
2 the dispute that you have presented is not one that I
3 think we can hear, and if my fellow commissioners
4 agree with me, I am going to dismiss the application
5 for lack of jurisdiction.
6 MR. CLARY: That's not all of that.
7 They are producing the Weasel Skin Well. I want to
8 show you the documents right here.
9 CHAIRMAN WELBORN: Wait a minute. I
10 don't want facts. I want to know what the other
11 issue is.
12 MR. CLARY: They were pumping gas off
13 of Section 18, with the Weasel Skin Well, right in
14 the corner, northeast corner of 19, and they are
15 pumping gas off of the west half of 19, that I own,
16 with the same well. It's true.
17 CHAIRMAN WELBORN: The issue --
18 MR. CLARY: The spacing is not right
19 on that well.
20 CHAIRMAN WELBORN: You feel you are
21 being drained.
22 MR. CLARY: That's right.
23 CHAIRMAN WELBORN: Stop right there.
24 Tim.
25 MR. BICKNELL: I would like to say,

1 the Weasel Skin Well is subject to an ultimate
2 production limit by order of the commission. It's
3 one of those in the awkward location, and the
4 commission has already established an upper limit to
5 protect correlative rights of the adjacent spacing
6 units.
7 MR. MONAHAN: Mr. Chairman, what we
8 would need to do, that is, file application under
9 Section 117 for production restriction.
10 CHAIRMAN WELBORN: That's right, for
11 revision of production restriction, we can hear that
12 one. We need to hear it in the context of proper
13 application and response, and at a hearing. So that
14 one, you're welcome to do.
15 MR. CLARY: Okay.
16 CHAIRMAN WELBORN: Are there any other
17 issues?
18 MR. CLARY: And the Isgar well in 18
19 is not spaced right.
20 CHAIRMAN WELBORN: All right. So we
21 got another drainage problem.
22 MR. CLARY: I got a scale here, shows
23 all of these wells. Would you all look at it?
24 CHAIRMAN WELBORN: I won't today.
25 We'll certainly look at your evidence in response to

1 a properly filed application on that one. You need
2 to do that as well, you need to file an application
3 on the Isgar well. And assert in that application
4 that it's not spaced right, and that there's drainage
5 occurring that's adversely affecting your correlative
6 rights. You need to mention correlative rights. We
7 can hear that one.
8 MR. CLARY: Could you all tell me the
9 correct spacing that's supposed to be on those gas
10 wells?
11 CHAIRMAN WELBORN: I certainly can't
12 do that, but Mr. Bicknell, can you tell us what the
13 spacing is on those wells? I think, in connection
14 with preparing that application, you ought to make
15 sure you got your facts right and check with Mr.
16 Bicknell. We got two things so far we can hear, once
17 we get a proper application. The first --
18 MR. CLARY: Another thing that I
19 brought out. Bill Thurston had been using gas for
20 about 12 -- or four years, for his farming operation,
21 and he's been using it off of this lease, for houses
22 for his family, and for his hands and for his mother,
23 and for a rodeo arena that probably covers at least a
24 city block, to heat it and light it and --
25 CHAIRMAN WELBORN: Now, is your

1 problem with that, you haven't been paid royalties on
2 that?
3 MR. CLARY: I haven't been paid for
4 royalties on it. There hasn't been meter on it until
5 last summer, when I think he started to get hot under
6 his collar. He put a meter on that well.
7 CHAIRMAN WELBORN: Attorney General,
8 correct me if I am wrong. My understanding of that
9 kind of issue, that doesn't come under the statute.
10 The question is, is there the breach of covenant to
11 pay royalties under the oil and gas lease, which is,
12 again, is a contractual dispute.
13 MR. MONAHAN: That's a contractual
14 dispute.
15 CHAIRMAN WELBORN: What you've got is
16 an issue over the royalty clause and the free gas
17 clause. Does the free gas clause extend to rodeo
18 arenas, and it sounds, more that you mention it, that
19 too is an issue for resolution in the courts, when
20 you and I get together to talk about who to refer you
21 to in Durango. That attorney can properly frame
22 those. We can hear that in court. We can't decide
23 those in -- our problem -- I am sympathetic, if you
24 are right, something should be done. We can't even
25 hear you. Those are four issues, two of which are

1 going to court, two of which are coming back here.
2 MR. CLARY: Every time I try to hire
3 an attorney, the --
4 CHAIRMAN WELBORN: You and I will talk
5 about that outside. We'll talk about that outside.
6 MR. CLARY: Okay.
7 CHAIRMAN WELBORN: Are there any other
8 issues that you think are at issue here?
9 MR. CLARY: Well, I think it is,
10 but --
11 CHAIRMAN WELBORN: If you run into
12 any.
13 MR. CLARY: Oh, yes, some more
14 issues. They have got my well shut down. Ever since
15 I have been telling them they owed me for pumping
16 that water out of the ground and pumping it off, they
17 shut the pumps down, they have shut pumps down. And
18 you know it and I know it. I have put 30 years in
19 the oil field. I know the oil field. I know the gas
20 field.
21 CHAIRMAN WELBORN: So, what's the
22 issue?
23 MR. CLARY: The issue is that ever
24 since then, they have been -- they are not pumping
25 that, they are not pumping water out and letting my

1 well produce because they are producing that Weasel
2 Skin, 24 hours a day, and they are draining my
3 property.
4 CHAIRMAN WELBORN: That's the drainage
5 question?
6 MR. CLARY: That's right.
7 CHAIRMAN WELBORN: That's the drainage
8 question, to a certain extent that is.
9 MR. CLARY: That's harassment.
10 CHAIRMAN WELBORN: Well, the legal
11 term for it is "abuse of correlative rights," if it's
12 occurring. And so, we are going to hear that on the
13 Weasel Skin well.
14 MR. CLARY: Uh-huh.
15 CHAIRMAN WELBORN: That may also be
16 something to hear in court. I really think what we
17 need to do is adjourn this hearing and dismiss the
18 application, to the extent that we have one in front
19 of us, and ask you to file proper applications on the
20 drainage questions on two wells, then you and I will
21 talk about finding you a lawyer to help you get into
22 court on the other issues.
23 MR. CLARY: Every time I go to hire a
24 lawyer --
25 CHAIRMAN WELBORN: You and I are going

1 to talk about that. We're going to talk about that
2 out in the hall.
3 MR. CLARY: All right.
4 CHAIRMAN WELBORN: All right. With
5 that in mind, is there any objection to -- from the
6 commission, to my dismissing this application now, to
7 the extent that we have one in front of us, without
8 prejudice to Mr. Clary filing a proper application on
9 the drainage issue that he raised.
10 COMMISSIONER ANDERSON: I certainly
11 agree that application should be dismissed I think
12 Mr. Clary would do himself, and the commission, a
13 service, if he would find legal representation on
14 this. I am afraid we've spent a lot of time -- we've
15 spent a lot of time listening to things that are
16 mostly irrelevant to what the commission can do. And
17 I am afraid we are going to continue to listen to
18 mostly irrelevant things, and we just don't have that
19 much time. Please get representation, frame the
20 issue in such a way that the commission can deal with
21 it. I just am getting impatient.
22 CHAIRMAN WELBORN: Okay. We'll work
23 to that end. Any other comments? With that, Mr.
24 Clary, I am dismissing this application.
25 MR. CLARY: The whole thing?

1 CHAIRMAN WELBORN: I am dismissing the
2 whole thing right now. There's nothing in front of
3 us right now. What you are going to do is start
4 over. You are going to start over properly. And the
5 issues that can come to the commission are going to
6 come to the commission with proper application, the
7 ones that can't are going to go to court, and, at
8 some point, you and I are going to talk about it.
9 MR. CLARY: Okay.
10 CHAIRMAN WELBORN: All right. Thank
11 you very much.
12 MR. McKIM: Thank you, Mr. Chairman.
13 (Thereupon this portion of the
14 proceedings were concluded.)
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1 CERTIFICATE

2

3 STATE OF COLORADO) ss

4 CITY AND COUNTY OF DENVER)

5

6 I, Harriet S. Weisenthal, Certified Shorthand Reporter and Notary Public for the City and
7 County of Denver, State of Colorado, do hereby certify that the foregoing proceedings were taken in
8 shorthand by me at 201 E. Colfax, Denver, Colorado on the 16th day of March, 1992, and was reduced to
9 typewritten form under my supervision;

10 That the foregoing is a true transcript of the proceedings had; that I am neither
11 attorney nor counsel, nor in any way connected with any attorney or counsel for any of the parties to
12 said action or otherwise interested in the event;

13 IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 22nd
14 day of June, 1992.
My Commission expires October 15,
15 1993.

16 Harriet Weisenthal

17 Harriet S. Weisenthal

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3/4/92

Please add
Poulson, Odell
+ Peterson
to mailing
list. Thanks, B

Rec'd Call from Sonja
Wanberg re: order. She
didn't receive notice. Left
msg. w/ Patrese for
Fall Odell

3/26/92 B

Order No 1-124

00606503

ORIGINAL

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 LOVELAND FIELD, LARIMER COUNTY COLORADO	)))))	CAUSE NO. 1 Docket 3-2-16

PURSUANT TO NOTICE to all parties in interest, the above-entitled matter came duly on for hearing at the State Education Building, Room 101, 201 E. Colfax Avenue, Denver, Colorado 80203, on Monday, March 16, 1992.

RECEIVED

JUN 26 1992

COLO. OIL & GAS CONS. COMM.

BEFORE:

Commissioner Ed McCord

Commissioner Truman Anderson

Chairman John Welborn

Commissioner John Campbell

Dennis Bicknell, Director

Patricia Beaver, Technical Secretary

Tim Monahan, Assistant Attorney General

1 CHAIRMAN WELBORN: Next matter is
2 Cause No. 1, Docket 3-2-16, Loveland Field in Larimer
3 County. The applicant is Skaer Enterprises, through
4 its counsel, Mr. Odell, seeking to establish an
5 exploratory unit and also requesting an exception
6 location for a horizontal well to be drilled in the
7 northeast quarter of Section 32, Township 5 North,
8 Range 68 West, for production from the Niobrara
9 Formation. No known protests. Heard by the hearing
10 officer, who recommends approval.
11 MR. BICKNELL: We don't have a large
12 exhibit. I would like to share these with the
13 commissioners, and we would like these returned, or
14 at least one of them.
15 I think this application demonstrates
16 a couple of good things. One is the statutory change
17 last year for an exploratory unit. I think this is a
18 good demonstration of the proper use of that statute
19 and the results that can benefit from it. Coupled
20 with that was the policy the commission adopted
21 concerning highly deviated boreholes. We have never
22 adopted rules and regulations for highly deviated
23 boreholes, nor had we defined the horizontal
24 boreholes.
25 In this particular case, we should

1 look, first, at the reason for an exploratory unit.
2 The exhibit I have handed you, Exhibit 6, from Cause
3 1, Docket 2-16, was prepared by the applicant. You
4 will notice that there are, in the middle of the
5 page, there's a red outlined area that goes into an
6 adjacent square. This is one of the reasons it's
7 necessary to include, as shown in your notice, some
8 additional lands, they say, because of this
9 reservoir, Chapman Reservoir.
10 The black circles labeled "1," "2" and
11 "3", are existing wells that are producing from the
12 Niobrara Formation. No production has ever occurred
13 under the reservoir. So those people have never --
14 the owners of the minerals have never taken part in
15 the proceeds here, because this is an unspaced area,
16 and the testimony at the hearing indicated that
17 payments were essentially on what would be 40-acres
18 equivalent spacing, there, shown in your exhibit.
19 The applicant proposes to establish
20 exploratory units that would consist of this area,
21 and drill a highly deviated borehole from the right
22 of No. 3 there, over towards the reservoir, so, that
23 drainage may be occurring from under -- with the
24 40-acre tract of 3 and, perhaps, hopefully, under the
25 reservoir, there. In addition, this land is located

1 just slightly south and east of Loveland. You can
2 stand at the well site and almost see the outcrop of
3 the formations you are going to go for. You can
4 easily see the outcrops of lower Cretaceous "J" Sands
5 and "D" Sands, and things above it and below, and
6 until you get into Lyons.
7 These formations have a angle of
8 inclination to the horizontal that is anywhere from 8
9 to 20 degrees in the dip. Horizontal drilling has
10 been used, primarily, in formations that do not have
11 that dip. It works very nicely when everything is
12 flat. You remember some of the exhibits that we saw
13 at the -- when you adopted, properly, that everything
14 is at right angles, and when formations are flat, you
15 can define, when the angle gets so low, oh, that must
16 be horizontal; but when you rotate the formations and
17 drill, now you got a whole other ball game. It also
18 presents technical problems. The applicant has
19 engaged the services of an extremely competent
20 person, who had the initial experience in the first
21 horizontal boreholes in Prudhoe Bay; has followed
22 that up around the United States. So this is not a
23 small undertaking.
24 I would finally recommend -- ask you
25 to remember the horizontal borehole/highly deviated

1 report. Mr. Skaer sat right over there, Mr. Skaer,
2 Senior, and certainly let us know what he thought
3 about highly deviated borehole work, and I am glad to
4 see the man put his money, obviously, where his
5 intentions were. I think that's very good. So, I
6 don't know how much more you want to hear or don't
7 want to hear. All of the mineral interests are fine
8 with this. In exploratory units, the commission has
9 the opportunity, as do the parties involved, to come
10 back and say, that was not the appropriate size. It
11 is not completely clear, in a fractured reservoir,
12 what you will or will not drain.
13 So, at this time, it seems to me that
14 the application, as submitted, to, No. 1, establish a
15 exploratory unit consisting of 160 acres,
16 particularly the northeast quarter of Section 32,
17 Township 5 North, Range 66 West, is appropriate. And
18 coupled with that, we think that the exception
19 location, as requested, should be approved, and it
20 will be very close to the east or right-hand red line
21 there, in the southeast of the northeast quarter, but
22 that will be only for the surface hole. It will not
23 be into the productive horizon, so no one's
24 correlative rights will be harmed by that borehole.
25 It will then, as it is drilled deeper, it will then

1 go away from that east boundary line and it may jog
2 closer, then, to that west boundary line, but that
3 will give them a maximum length in the borehole, in
4 the highly deviated section, to evaluate the
5 reservoir. So, we think both aspects of that
6 application are appropriate.
7 CHAIRMAN WELBORN: Okay. Any
8 questions from the commission?
9 MR. MONAHAN: Dennis, you said this
10 area is not currently spaced?
11 MR. BICKNELL: That's correct.
12 COMMISSIONER McCORD: What's the
13 ownership position in Chapman Reservoir?
14 MR. BICKNELL: As I understand, a
15 reservoir company that owns the surface and minerals,
16 and they are agreeable.
17 CHAIRMAN WELBORN: What's the
18 horizontal distance, do you know?
19 MR. BICKNELL: It would be in the
20 order of 2150 feet, essentially, on a west/northwest
21 bearing.
22 CHAIRMAN WELBORN: All right. What's
23 the pleasure of the commission?
24 COMMISSIONER ANDERSON: Move the
25 application be approved.

1 COMMISSIONER CAMPBELL: Second.

2 CHAIRMAN WELBORN: Further discussion.

3 (Whereupon the vote was called.)

4 CHAIRMAN WELBORN: Motion carries

5 unanimously.

6 (Thereupon this portion of the

7 proceedings were concluded.)

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1 CERTIFICATE

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3 STATE OF COLORADO) ss

4 CITY AND COUNTY OF DENVER)

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6 I, Harriet S. Weisenthal, Certified Shorthand Reporter and Notary Public for the City and
7 County of Denver, State of Colorado, do hereby certify that the foregoing proceedings were taken in
8 shorthand by me at 201 E. Colfax, Denver, Colorado on the 16th day of March, 1992, and was reduced to
9 typewritten form under my supervision;

10 That the foregoing is a true transcript of the proceedings had; that I am neither
11 attorney nor counsel, nor in any way connected with any attorney or counsel for any of the parties to
12 said action or otherwise interested in the event;

13 IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 22nd
14 day of June, 1992.
My Commission expires October 15,
15 1993.

16 Harriet Weisenthal

17 Harriet S. Weisenthal

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