

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 FOR THE NIOBRARA AND)	DOCKET NO. 150400219
CODELL FORMATIONS, UNNAMED FIELD, WELD)	
COUNTY, COLORADO)	ORDER NO. 407-1283
)	
)	CORRECTED

REPORT OF THE COMMISSION

The Commission heard this matter on April 13, 2015 at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to amend Order No. 407-374 for Section 3, Township 6 North, Range 61 West, 6th P.M. and Section 25, Township 7 North, Range 61 West, 6th P.M. to include the Codell Formation, and approve up to 24 horizontal wells from the Niobrara Formation, and four horizontal wells from the Codell Formation, for the production of oil, gas and associated hydrocarbons.

FINDINGS

The Commission finds as follows:

1. Caerus WashCo LLC (“Caerus” or “Applicant”) 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 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 allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. Section 3, Township 6 North, Range 61 West, 6th P.M. and Section 25, Township 7 North, Range 61 West, 6th P.M. are subject to this Rule for the Niobrara and Codell Formations.
5. On July 8, 2010, the Commission entered Order No. 407-374 which, among other things, established eleven 640-acre drilling and spacing units for certain lands, and approved up to two horizontal wells in each unit, with bottomhole locations of any permitted well to be no closer than 460 feet from the boundary of the unit for the production of oil and gas and associated hydrocarbons from the Niobrara Formation. Section 3, Township 6 North, Range 61 West, 6th

P.M. and Section 25, Township 7 North, Range 61 West, 6th P.M. are subject to this Rule for the Niobrara and Codell Formations.

6. On February 12, 2015, Caerus, by its attorneys, filed a verified application (“Application”) pursuant to §34-60-116 C.R.S. for an order to amend Order No. 407-374 for the below-described lands (“Application Lands”) and to approve up to 24 horizontal wells from the Niobrara Formation, and four horizontal wells from the Codell Formation within each unit, the productive interval of the wellbores to be located no closer than **460** feet from the unit boundaries, no closer than 150 feet from the productive interval of any other wellbore located within the Codell Formation or the same bench of the Niobrara Formation in the unit, and no closer than 50 feet from the productive interval of any other wellbore located in a Niobrara Formation bench above or below the Niobrara Formation bench where that wellbore is located in the units, without exception being granted by the Director:

Township 6 North, Range 61 West, 6th P.M.

Section 3: All

Drilling and Spacing Unit #1 (“DSU#1”)

Township 7 North, Range 61 West, 6th P.M.

Section 25: All

Drilling and Spacing Unit #2 (“DSU#2”)

7. On March 23, 2015, Caerus met with Commission Staff and presented their proposal. After the meeting, Caerus changed its request to locate wellbores in the unit no closer than 100 feet from the productive interval of any other wellbore producing from the Niobrara and/or Codell formations.

8. On March 25, 2015, Caerus, 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. Sworn written testimony and exhibits were submitted in support of the Application.

9. Land testimony and exhibits submitted in support of the Application by Jeff Grisham, Landman for Caerus, showed that Caerus holds oil and gas leasehold interests and has a right to drill in the Application Lands.

10. Geologic testimony and exhibits submitted in support of the Application by Stephen Sunnenberg, Petroleum Geologist for Caerus, showed that the Niobrara and Codell Formations are present throughout the Application Lands, that the Niobrara Formation is approximately 295 to 310 feet thick, that the Codell Formation is approximately 10 feet thick, and that both Formations are generally of uniform thickness throughout the Application Lands.

11. Engineering testimony and exhibits submitted in support of the Application by Jeffery Baldauf, Reservoir Engineering Manager for Caerus, showed that the drainage area for analog horizontal Niobrara and Codell Formations wells are estimated at 52 acres per benches A, B, and C of the Niobrara Formation and the Codell Formation, and an appropriate 640-acre drilling and spacing unit is therefore not less than the maximum area than can be efficiently,

economically and effectively drained by horizontal wells producing oil, gas and associated hydrocarbons from the Niobrara and Codell Formations.

12. 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 hydrocarbons, and will not violate correlative rights.

13. Caerus agreed to be bound by oral order of the Commission.

14. 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 to amend Order No. 407-374 for Section 3, Township 6 North, Range 61 West, 6th P.M. and Section 25, Township 7 North, Range 61 West, 6th P.M. and to approve up to 24 horizontal wells from the Niobrara Formation, and four horizontal wells from the Codell Formation, for the production of oil, gas and associated hydrocarbons from the Niobrara and Codell Formations.

ORDER

IT IS HEREBY ORDERED:

1. Order No. 407-374 for Section 3, Township 6 North, Range 61 West, 6th P.M. and Section 25, Township 7 North, Range 61 West, 6th P.M. is hereby amended to include the Codell Formation.

2. A total of up to 24 horizontal wells from the Niobrara Formation, and four horizontal wells from the Codell Formation, are hereby approved, for the production of oil, gas and associated hydrocarbons from the Niobrara and Codell Formations:

Township 6 North, Range 61 West, 6th P.M.

Section 3: All

Drilling and Spacing Unit #1 ("DSU#1")

Township 7 North, Range 61 West, 6th P.M.

Section 25: All

Drilling and Spacing Unit #2 ("DSU#2")

3. The productive interval of the wellbores will be located no closer than **460** feet from the unit boundaries, and no closer than 100 feet from the productive interval of any other wellbore producing from the Niobrara and/or Codell Formations, without exception being granted by the Director.

4. **The wells will be located on no more than two wellpads within each unit or on adjacent lands, without exception granted by the Director.**

IT IS FURTHER ORDERED:

1. The provisions contained in the above order shall become effective immediately.

2. The Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

3. Under the State Administrative Procedure Act, the Commission considers this Order to be final agency action for purposes of judicial review within 35 days after the date this Order is mailed by the Commission.

4. An application for reconsideration by the Commission of this Order is not required prior to the filing for judicial review.

ENTERED this 27th day of April, 2015, as of April 13, 2015.

CORRECTED this 15th day of July, 2015, as of April 13, 2015.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Murphy, Secretary