



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 FOR THE NIOBRARA FORMATION,) DOCKET NO. 170900555
HEREFORD FIELD, WELD COUNTY, COLORADO)
) TYPE: ADDITIONAL WELLS
)
) ORDER NO. 421-93

REPORT OF THE COMMISSION

The Commission heard this matter on September 11, 2017, at the Durango Public Library, 1900 East Third Avenue, Durango, Colorado, upon application for an order to approve an additional seven horizontal wells, for a total of 15 horizontal wells, in six approximate 1,280-acre drilling and spacing units established for the lands described below, for the production of oil, gas and associated hydrocarbons from Niobrara Formation.

FINDINGS

The Commission finds as follows:

1. Fifth Creek Energy Operating Company, LLC ("Fifth Creek" or "Applicant"), 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 February 22, 2010 (corrected January 19, 2012), the Commission entered into Order No. 421-1 which, among other things, established 58 approximate 640-acre drilling and spacing units for certain lands, including DSU #1, DSU #2, DSU #3, DSU #4, DSU #5, and DSU #6 on the Application Lands, and approved one horizontal well within each unit, for the development and operation of the Niobrara Formation, with the productive interval of the wellbore to be located no closer than 600 feet from the unit boundaries, without exception being granted by the Director.
5. On October 31, 2011, the Commission entered Order No. 421-12 which, among other things, established an approximate 640-acre drilling and spacing unit for Section 7, Township 11 North, Range 62 West, 6th P.M., and authorized three additional horizontal wells, for a total of up to four horizontal wells, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the treated interval of the permitted wells to be located no closer than 600 feet from the boundaries of the unit, but with no interwell setback within the unit. Section 7 of DSU #3 is subject to Order No. 421-12.
6. On January 7, 2013, the Commission entered Order No. 421-24 which, among other things, vacated two approximate 640-acre drilling and spacing units established by Order

421-1 for Sections 5 and 8, Township 11 North, Range 62 West, 6th P.M., and established one approximate 1280-acre stand-up exploratory drilling and spacing unit for Sections 5 and 8, Township 11 North, Range 62 West, 6th P.M., approving up to ten wells within the unit for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the bottomhole locations not less than 600 feet from the boundary of the proposed drilling unit and not less than 460 feet from any other well or treated interval of a well producing from the Niobrara Formation, without exception being granted by the Director. Section 5 of DSU #2 and Section 8 of DSU #4 are subject to Order No. 421-24.

7. On January 7, 2013, the Commission entered Order No. 421-27 which, among other things, vacated two approximate 640-acre drilling and spacing units established by Order 421-1 for Sections 17 and 20, Township 11 North, Range 62 West, 6th P.M., and established one approximate 1280-acre stand-up exploratory drilling and spacing unit for Sections 17 and 20, Township 11 North, Range 62 West, 6th P.M., approving up to ten wells within the unit for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the bottomhole locations not less than 600 feet from the boundary of the proposed drilling unit and not less than 460 feet from any other well or treated interval of a well producing from the Niobrara Formation, without exception being granted by the Director. Section 17 of DSU #4 and Section 20 of DSU #6 are subject to Order No. 421-27.

8. On January 7, 2013, the Commission entered Order No. 421-31 which, among other things, maintained two approximate 640-acre drilling and spacing units established by Order Nos. 421-1 and 421-3 for Sections 29 and 32, Township 11 North, Range 62 West, 6th P.M., for the Garden Creek #21-32H Well, and established one approximate 1280-acre stand-up exploratory drilling and spacing unit for Sections 29 and 32, Township 11 North, Range 62 West, 6th P.M., approving up to ten wells within the unit for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the bottomhole locations not less than 600 feet from the boundary of the proposed drilling unit and not less than 460 feet from any other well or treated interval of a well producing from the Niobrara Formation, without exception being granted by the Director. Section 29 of DSU #6 is subject to Order No. 421-31.

9. On January 7, 2013, the Commission entered Order No. 421-32 which, among other things, vacated two approximate 640-acre drilling and spacing units established by Order Nos. 421-1 and 421-3 for Sections 30 and 31, Township 11 North, Range 62 West, 6th P.M., and established one approximate 1280-acre stand-up exploratory drilling and spacing unit for Sections 30 and 31, Township 11 North, Range 62 West, 6th P.M., approving up to ten wells within the unit for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the bottomhole locations not less than 600 feet from the boundary of the proposed drilling unit and not less than 460 feet from any other well or treated interval of a well producing from the Niobrara Formation, without exception being granted by the Director. Section 30, Township 11 North, Range 62 West, 6th P.M. in DSU #5 is subject to Order No. 421-32.

10. On January 30, 2017, the Commission entered Order No. 421-83 which, among other things, established six approximate 1,280-acre drilling and spacing units for DSU #1, DSU #2, DSU #3, DSU #4, DSU #5 and DSU #6 defined below, providing that the existing 640-acre units for the production of the existing wells shall be maintained only until the date of first completion of the new horizontal well into the unit, and approved up to eight new horizontal wells in each approximate 1,280-acre drilling and spacing unit, providing that the productive interval of each wellbore shall be located no closer than 300 feet from the boundaries of the unit and no closer than 150 feet from the productive interval of another well producing from the

same source of supply within the unit, unless an exception is granted by the Director, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation:

11. On July 13, 2017, Fifth Creek filed a verified application pursuant to §34-60-116, C.R.S., for an order to approve an additional seven (7) horizontal wells, for a total of fifteen (15) horizontal wells, in DSU #1, DSU #2, DSU #3, DSU #4, DSU #5 and DSU #6 and to require that the productive interval of each additional proposed horizontal well in each approximate 1,280-acre drilling and spacing unit shall be no closer than 300 feet from the boundaries of the unit (regardless of the lease lines within the unit) and all horizontal wells shall be no closer than 150 feet from the productive interval of another well producing from the same source of supply within the unit, unless an exception is granted by the Director, and providing that the wells will be drilled from no more than five well pads, including the existing wellpads, in each of the four drilling and spacing units to be located within such unit or adjacent thereto, unless an exception is granted by the Director, consistent with Order No. 421-84:

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

Section 19: All (All portions of this section within the State of Colorado)

Section 30: All

("DSU #1")

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

Section 20: All (All portions of this section within the State of Colorado)

Section 29: All

("DSU #2")

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

Section 21: All (All portions of this section within the State of Colorado)

Section 28: All

("DSU #3")

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

Section 22: All (All portions of this section within the State of Colorado)

Section 27: All

("DSU #4")

Township 12 North, Range 63 West, 6th P.M.

Section 23: All (All portions of this section within the State of Colorado)

Section 26: All

("DSU #5")

Township 12 North, Range 63 West, 6th P.M.

Section 24: All (All portions of this section within the State of Colorado)

Section 25: All

("DSU #6")

12. On August 21, 2017, Fifth Creek, 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.

13. Land testimony and exhibits submitted in support of the Application by Teale Stone, Senior Landman for Fifth Creek, showed that both the mineral and surface interests in the Application Lands are owned in fee, and that Fifth Creek owns a partial undivided leasehold ownership interest in the Application Lands.

14. Geoscience testimony and exhibits submitted in support of the Application by Benjamin Burke, Geologist for Fifth Creek, showed the Niobrara Formation is present throughout the Application Lands and ranges from approximately 230 to 260 feet thick, and is generally of uniform thickness throughout the Application Lands. Further testimony showed that the Niobrara Formation is a sequence of chinks, marls and limestones.

15. Engineering testimony and exhibits submitted in support of the Application by William Irwin, Engineering Advisor for Fifth Creek, demonstrated that 2-section lateral analog wells have an average lateral length of 9,261' and average estimated ultimate recovery of 431,333 bbl for the Niobrara Formation, for a drainage per well of 85 acres, that based on each drilling and spacing unit area of 1,280 acres, the drainage calculations are consistent with the development of up to fifteen Niobrara horizontal wells, and that the drilling, completion, and production of up to fifteen horizontal wells within each proposed drilling and spacing unit will increase total recovery and reduce resource waste relative to an eight-well 1280-acre drilling and spacing unit.

16. Applicant stated that the All wells will be drilled from no more than five well pads, including the existing well pads, in each of the four drilling and spacing units to be located within such unit or adjacent thereto, unless an exception is granted by the Director, consistent with Order No. 421-84.

17. 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.

18. Fifth Creek agreed to be bound by oral order of the Commission.

19. 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 approve an additional seven horizontal wells, for a total of 15 horizontal wells, in six approximate 1,280-acre drilling and spacing units established for the lands described below, for the production of oil, gas and associated hydrocarbons from Niobrara Formation.

ORDER

IT IS HEREBY ORDERED:

1. An additional seven (7) horizontal wells, for a total of fifteen (15) horizontal wells, are hereby approved in an approximate 1,280-acre drilling and spacing unit established for the below-described lands, for the production of oil, gas and associated hydrocarbons from the

Niobrara Formation:

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

Section 19: All (All portions of this section within the State of Colorado)

Section 30: All

("DSU #1")

2. An additional seven (7) horizontal wells, for a total of fifteen (15) horizontal wells, are hereby approved in an approximate 1,280-acre drilling and spacing unit for the below-described lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation:

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

Section 20: All (All portions of this section within the State of Colorado)

Section 29: All

("DSU #2")

3. An additional seven (7) horizontal wells, for a total of fifteen (15) horizontal wells, are hereby approved in an approximate 1,280-acre drilling and spacing unit for the below-described lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation:

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

Section 21: All (All portions of this section within the State of Colorado)

Section 28: All

("DSU #3")

4. An additional seven (7) horizontal wells, for a total of fifteen (15) horizontal wells, are hereby approved in an approximate 1,280-acre drilling and spacing unit for the below-described lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation:

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

Section 22: All (All portions of this section within the State of Colorado)

Section 27: All

("DSU #4")

5. An additional seven (7) horizontal wells, for a total of fifteen (15) horizontal wells, are hereby approved in an approximate 1,280-acre drilling and spacing unit for the below-described lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation:

Township 12 North, Range 63 West, 6th P.M.

Section 23: All (All portions of this section within the State of Colorado)

Section 26: All

("DSU #5")

6. An additional seven (7) horizontal wells, for a total of fifteen (15) horizontal wells, are hereby approved in an approximate 1,280-acre drilling and spacing unit for the below-described lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation:

Township 12 North, Range 63 West, 6th P.M.

Section 24: All (All portions of this section within the State of Colorado)

Section 25: All

("DSU #6")

7. The productive interval of each additional proposed horizontal well in each 1,280 acre drilling and spacing unit shall be no closer than 300 feet from the boundaries of each unit (regardless of the lease lines within the unit) and all horizontal wells shall be no closer than 150 feet from the productive interval of another well producing from the same source of supply within each unit, unless an exception is granted by the Director.

8. The wells will be drilled from no more than five well pads, including the existing wellpads, in each of the six proposed drilling and spacing units to be located within such unit or adjacent thereto, unless an exception is granted by the Director, consistent with Order No. 421-84.

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 22nd day of September, 2017, effective as of September 11, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By: _____

James P. Rouse, Acting Secretary