



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

IN THE MATTER OF THE PROMULGATION AND)	CAUSE NO. 535
ESTABLISHMENT OF FIELD RULES TO)	
GOVERN OPERATIONS FOR THE NIOBRARA,)	DOCKET NO. 170900466
FORT HAYS, CODELL, AND CARLILE)	
FORMATIONS, UNNAMED FIELD, WELD)	TYPE: SPACING
COUNTY, COLORADO)	
)	ORDER NO. 535-853

REPORT OF THE COMMISSION

The Commission heard this matter on September 11, 2017, at the Durango Public Library, Program Room #2, 1900 E. 3rd Avenue, Durango, Colorado, upon application for an order to: 1) establish an approximate 1,280-acre drilling and spacing unit for Sections 3 and 10, Township 11 North, Range 66 West, 6th P.M., and approve up to seven horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; and 2) establish an approximate 1,280-acre drilling and spacing unit for Sections 3 and 10, Township 11 North, Range 66 West, 6th P.M., for the Fort Hays and Carlile Formations, and approve up to six horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Fort Hays, Codell, and Carlile Formations.

FINDINGS

The Commission finds as follows:

1. Longs Peak Resources, LLC (Operator No. 10611) ("Longs Peak" 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. Rule 318.a. of the Rules and Regulations of the Oil and Gas Conservation Commission requires that, on unspaced lands, 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. Sections 3 and 10, Township 11 North, Range 66 West, 6th P.M., are subject to this Rule for the production of the oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, and Carlile Formations.
5. On October 27, 2014, the Commission entered Order No. 535-557 which, among other things, established an approximate 1,280-acre drilling and spacing unit for Sections 3 and 10, Township 11 North, Range 66 West, 6th P.M., Sections 27 and 34, Township 12 North, Range 66 West, 6th P.M., and approved up to four horizontal wells within the unit, for production of oil, gas and associated hydrocarbons from the Codell Formation, with the productive interval of any permitted well to be located no closer than 300 feet from the unit boundary and no closer

than 660 feet from the productive interval of any well drilled or producing from the Codell Formation.

6. On July 12, 2017, Longs Peak, by its attorneys, filed with the Commission pursuant to §34-60-116, C.R.S., a verified second amended application ("Application") for an order to: 1) establish an approximate 1,280-acre drilling and spacing unit for the below described lands ("Application Lands"), and approve up to seven horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation, with the productive interval of the wellbore to be located no closer than 300 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore located in the unit, without exception being granted by the Director; 2) establish an approximate 1,280-acre drilling and spacing unit for the Application Lands for the Fort Hays and Carlile Formations, and approve up to six horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Fort Hays, Codell, and Carlile Formations, with the productive interval of the wellbore to be located no closer than 300 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore located in the unit, without exception being granted by the Director; and 3) provide that any wellbores of any horizontal wells to be drilled may enter the Niobrara, Fort Hays, Codell, and Carlile Formations anywhere within the unit, or on adjacent lands, without exception being granted by the Director:

Township 11 North, Range 66 West, 6th P.M.

Section 3: All

Section 10: All

7. Applicant states that any horizontal wells to be drilled under this Application will be drilled from no more than four multi-well pads located on the surface of the drilling unit, or on adjacent lands with consent of the landowner, unless the Director grants an exception.

8. On August 16, 2017, supplemented August 22, 2017, Longs Peak, 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 Kent Snider, Vice President of Land for Vertex Energy Partners, LLC, as agent for Longs Peak, showed that Longs Peak 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 Derek Sondergaard, Geologist for Windmill Energy Services, working for Longs Peak, showed the Niobrara Formation is present throughout the Application Lands, is approximately 145 to 146 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 and is a common source of supply. The geologic testimony also showed that the Fort Hays Formation is present throughout the Application Lands, is approximately 16 to 18 feet thick, and is generally of uniform thickness throughout the Application Lands. The geologic testimony also showed that the Codell Formation is present throughout the Application Lands, is approximately 19 to 20 feet thick, and is generally of uniform thickness throughout the Application Lands. The geologic testimony also showed that the Carlile Formation is present throughout the Application Lands, is approximately 37 to 38 feet thick, and is generally of uniform thickness throughout the

Application Lands.

11. Geologic testimony also showed that the primary drilling targets are the Niobrara and Codell Formations, but that horizontal wells drilled into the Codell Formation may deviate into the Fort Hays and Carlile Formations. For that reason, the Application is seeking spacing for the Fort Hays and Carlile formations.

12. Engineering testimony and exhibits submitted in support of the Application by Mark McNamee, Petroleum Engineer for Windmill Energy Services, working for Longs Peak, requested that the Commission take administrative notice of the Rule 511 engineering testimony and exhibits used to support the issuance of Orders 535-669 and 535-706 to support drainage calculations for wells producing from the Codell and Niobrara Formations. The Commission does so. The Rule 511 engineering testimony and exhibits used to support the issuance of Orders 535-669 and 535-706, and engineering testimony of Mark McNamee, showed that the drainage area for analog horizontal Niobrara Formation wells is estimated at 115 acres, and an approximate 1,280-acre drilling and spacing unit is therefore not less than the maximum area than can be efficiently, economically and effectively drained by seven horizontal wells producing oil, gas and associated hydrocarbons from the Niobrara Formation. The engineering testimony also showed that the drainage area for analog horizontal Codell Formation wells is estimated at 163 acres, that any deviation into the Fort Hays and/or Carlile Formations will not change the drainage calculation, and that an approximate 1,280-acre drilling and spacing unit is therefore not less than the maximum area than can be efficiently, economically and effectively drained by six horizontal wells producing oil, gas and associated hydrocarbons from the Fort Hays/Codell/Carlile Formations.

13. Engineering testimony by Mark McNamee further showed that for the Niobrara formation, a calculated effective drainage radius of 256 feet, as testified to in the Rule 511 testimony for Order No. 535-706, shows that a setback for the treated interval of a horizontal well of 300 feet from the unit boundaries will prevent drainage of reserves from adjacent lands and will allow the production of reserves that otherwise would not be recovered from the Niobrara Formation underlying the Application Lands.

14. 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.

15. Longs Peak agreed to be bound by oral order of the Commission.

16. 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: 1) establish an approximate 1,280-acre drilling and spacing unit for Sections 3 and 10, Township 11 North, Range 66 West, 6th P.M., and approve up to seven horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; and 2) amend Order No. 535-557, which established an approximate 1,280-acre drilling and spacing unit for Sections 3 and 10, Township 11 North, Range 66 West, 6th P.M., for the Codell Formation, to include the Fort Hays and Carlile Formations, and approve up to six horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Fort Hays, Codell, and Carlile Formations.

ORDER

IT IS HEREBY ORDERED:

1. An approximate 1,280-acre drilling and spacing unit for the below-described lands, is hereby established, and a total of up to seven horizontal wells within the unit are hereby approved, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the productive interval of any horizontal wellbore to be no closer than 300 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other Niobrara wellbore located in the unit, unless the Director grants an exception:

Township 11 North, Range 66 West, 6th P.M.

Section 3: All

Section 10: All

2. Order No. 535-557 is hereby amended to include the Fort Hays and Carlile Formations, in addition to the Codell Formation, in an approximate 1,280-acre drilling and spacing unit established for the below-described lands, and a total of up to six horizontal wells are hereby approved for the production of oil, gas and associated hydrocarbons from the Fort Hays, Codell, and Carlile Formations, with the productive interval of any horizontal wellbore to be no closer than 300 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other Codell wellbore located in the unit, unless the Director grants an exception:

Township 11 North, Range 66 West, 6th P.M.

Section 3: All

Section 10: All

3. All wells permitted under this Order shall be drilled from no more than four multi-well pads within the Application Lands, or on adjacent lands with consent of the landowner, unless the Director grants an exception.

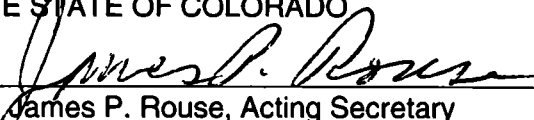
IT IS FURTHER ORDERED:

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 26th day of September, 2017, as of September 11, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By


James P. Rouse, Acting Secretary