



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, FORT HAYS,)	DOCKET NO. 180700563
CODELL, AND CARLILE FORMATIONS,)	
HEREFORD FIELD, WELD COUNTY, COLORADO)	TYPE: SPACING
)	
)	ORDER NO. 421-115

REPORT OF THE COMMISSION

The Commission heard this matter on July 30, 2018, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to: 1) vacate Order No. 421-16 which, among other things, established an approximate 1,232-acre drilling and spacing unit for Sections 23 and 24, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; 2) vacate the approximate 1,280-acre drilling and spacing unit established by Order No. 421-57 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for production of oil, gas, and associated hydrocarbons from the Codell Formation; 3) vacate Order No. 421-64 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 4) vacate Order No. 421-77 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 5) vacate an approximate 1,280-acre drilling and spacing unit established by Order No. 421-84 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the Niobrara Formation; 6) vacate Order No. 421-93 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from Niobrara Formation; and 7) establish an approximate 1,280-acre drilling and spacing unit for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., and approve up to 16 new horizontal wells, for a total of up to 17 horizontal wells, for the production of oil, gas and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations.

FINDINGS

The Commission finds as follows:

1. HighPoint Operating Corporation (Operator No. 10071) ("HighPoint" 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. 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 23 and 26, Township 12 North, Range 63 West, 6th P.M. are subject to this Rule for the Fort Hays and Carlile Formations.

5. On February 22, 2010 (corrected January 19, 2012), the Commission entered Order No. 421-1 which, among other things, established 58 approximate 640-acre drilling and spacing units for certain lands, including Sections 23 and 26, Township 12 North, Range 63 West 6th P.M. 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.

6. On January 7, 2013, the Commission entered Order No. 421-16 which, among other things, vacated two approximate 640-acre drilling and spacing units established by Order No. 421-1 for Sections 23 and 24, Township 12 North, Range 63 West, 6th P.M., and established an approximate 1,232-acre stand-up exploratory drilling and spacing unit for Sections 23 and 24, Township 12 North, Range 63 West, 6th P.M., and approved up to ten wells within the unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

7. On January 26, 2015 (amended April 13, 2015), the Commission entered Order No. 421-57 which, among other things, established 12 approximate 1,280-acre drilling and spacing units for certain lands, including Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., and approved one horizontal well within each unit, for the production of oil, gas and associated hydrocarbons from the Codell Formation.

8. On July 20, 2015, the Commission entered Order No. 421-64 which, among other things, modified Order No. 421-57 to allow for a total of up to six horizontal wells within 12 approximate 1,280-acre drilling and spacing units established for certain lands, including Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Codell Formation, with the productive interval of the wellbore to be located no closer than 460 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.

9. On December 12, 2016, the Commission entered Order No. 421-77 which, among other things, modified Order Nos. 421-57 and 421-64 to allow the productive interval of any permitted well to be located no closer than 300 feet from the unit boundaries of three approximate 1,280-acre drilling and spacing unit established for certain lands, including Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of the oil, gas, and associated hydrocarbons from the Codell Formation.

10. On January 30, 2017, the Commission entered Order No. 421-84 which, among other things, established six approximate 1,280-acre drilling and spacing units for certain lands, including Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., providing that the existing 640-acre units established by Order No. 421-1 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 the 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 September 11, 2017, the Commission entered Order No. 421-93 which, among other things, approved an additional seven horizontal wells, for a total of 15 horizontal wells, in six approximate 1,280-acre drilling and spacing units established for certain lands, including Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from Niobrara Formation.

12. On May 31, 2018, HighPoint, by its attorneys, filed with the Commission a verified application ("Application") for an order to: 1) vacate Order No. 421-16 which, among other things, established an approximate 1,232-acre drilling and spacing unit for Sections 23 and 24, Township 12 North, Range 63 West, 6th P.M. for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; 2) vacate the approximate 1,280-acre drilling and spacing unit established by Order No. 421-57 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M. for production of oil, gas, and associated hydrocarbons from the Codell Formation; 3) vacate Order No. 421-64 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M. for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 4) vacate Order No. 421-77 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M. for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 5) vacate an approximate 1,280-acre drilling and spacing unit established by Order No. 421-84 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M. for the production of oil, gas and associated hydrocarbons from the Niobrara Formation; 6) vacate Order No. 421-93 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M. for the production of oil, gas and associated hydrocarbons from Niobrara Formation; and 7) establish an approximate 1,280-acre drilling and spacing unit for the following described lands ("Application Lands"), and approve up to 16 new horizontal wells within the unit, for a total of 17 horizontal wells, for the production of oil, gas and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations, with the productive interval of the wellbores in the Niobrara and Fort Hays Formations to be located no closer than 150 feet from unit boundaries, the productive interval of the wellbores in the Codell and Carlile Formations to be located no closer than 300 feet from the unit boundaries, and the productive interval of the wellbores in the Niobrara, Fort Hays, Codell, and Carlile Formations to be located no closer than 150 feet from the productive interval of any other wellbore located in the unit, unless the Director grants an exception:

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

Section 23: All that portion lying within the State of Colorado
Section 26: All

Applicant stated that any horizontal wells to be drilled under this Application will be drilled from no more than five multi-well pads on the surface of the drilling unit, or on adjacent lands with consent of the landowner, unless an exception is granted by the Director.

13. Applicant further requested that the 640-acre drilling and spacing unit established by Order No. 421-1 for Section 26, Township 12 North, Range 63 West, 6th P.M. be modified by requiring the Fox Creek #03-26H Well (API No. 05-123-31417-00) and its side-track (API No. 05-123-31417-01) to be brought into the approximate 1,280-acre drilling and spacing unit proposed for the Application Lands as of the initial date of completion operations associated with the first well completed under this approved Application, changing allocation of production from a 640-acre unit basis to an approximate 1,280-acre unit basis.

14. On July 3, 2018, supplemented on July 13, 2018, HighPoint, 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.

15. Land testimony and exhibits submitted in support of the Application by Teale Stone, Landman for HighPoint, showed that the surface and mineral ownership of the Application Lands is owned in fee and that HighPoint has a leasehold interest with the right to drill in the Application Lands.

16. Geology testimony and exhibits submitted in support of the Application by Dan Moore, Senior Geologist for HighPoint, showed that the Niobrara Formation is present throughout the Application Lands, is approximately 295 to 300 feet thick, and is a common source of supply underlying the Application Lands. The geologic testimony showed that the Niobrara Formation consists of a sequence of chinks, marls, and limestones. Geologic testimony further showed that the Fort Hays Formation is present throughout the Application Lands, is approximately 16 to 20 feet thick, and is a common source of supply underlying the Application Lands. The geologic testimony showed that the Fort Hays Formation is limestone. Geologic testimony further showed that the Codell Formation is present throughout the Application Lands, is approximately 20 to 21 feet thick, and is a common source of supply underlying the Application Lands. The geologic testimony showed that the Codell Formation is a sequence of siltstones and sandstones. Geologic testimony further showed that the Carlile Formation is present throughout the Application Lands, is approximately 29 to 30 feet thick, and is a common source of supply underlying the Application Lands. The geologic testimony showed that the Carlile Formation consists of shale.

17. Engineering testimony and exhibits submitted in support of the Application by Sean Stewart, Senior Reservoir Engineer at HighPoint, showed that HighPoint plans to drill four to six horizontal Codell Formation wells and 10 to 12 horizontal Niobrara Formation wells. In addition, the engineering testimony showed that the drainage area for analog horizontal Niobrara Formation wells is estimated at 54 acres per well, and an approximate 1,280-acre drilling and spacing unit is therefore not less than the maximum area that can be efficiently, economically and effectively drained by 10 to 12 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 78 acres per well, and an approximate 1,280-acre drilling and spacing unit is therefore not less than the maximum area that can be efficiently, economically and effectively drained by four to six horizontal wells producing oil, gas, and associated hydrocarbons from the Codell Formation. Engineering testimony also showed that the primary drilling targets are the Niobrara and Codell Formations, but that horizontal wells targeting the Codell Formation might deviate into the Fort Hays and Carlile Formations. However, this type of occurrence will not impact the drainage area calculations.

18. In addition, the engineering testimony showed that the average drainage distance from wellbores in the Niobrara and Fort Hays Formations is estimated to be 115 feet. The engineering testimony also showed that the average drainage distance from wellbores in the Codell and Carlile Formations is estimated to be 170 feet. Thus, the requested setbacks of 150 feet from the unit boundaries for wellbores in the Niobrara and Fort Hays Formations and 300 feet from the unit boundaries for wellbores in the Codell and Carlile formations are appropriate.

19. 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.

20. HighPoint agreed to be bound by oral order of the Commission.

21. 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: 1) vacate Order No. 421-16 which, among other things, established an approximate 1,232-acre drilling and spacing unit for Sections 23 and 24, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; 2) vacate the approximate 1,280-acre drilling and spacing unit established by Order No. 421-57 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for production of oil, gas, and associated hydrocarbons from the Codell Formation; 3) vacate Order No. 421-64 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 4) vacate Order No. 421-77 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M. for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 5) vacate an approximate 1,280-acre drilling and spacing unit established by Order No. 421-84 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the Niobrara Formation; 6) vacate Order No. 421-93 as it applies to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from Niobrara Formation; 7) establish an approximate 1,280-acre drilling and spacing unit for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., and approve up to 16 new horizontal wells, for a total of up to 17 horizontal wells, for the production of oil, gas and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations; and 8) maintain the 640-acre drilling and spacing unit established by Order No. 421-1 for Section 26, Township 12 North, Range 63 West, 6th P.M., for the Fox Creek #03-26H Well only until commencement of completion operations on the first new well drilled in the proposed 1,280-acre drilling and spacing unit.

ORDER

IT IS HEREBY ORDERED:

1. Order No. 421-16 which, among other things, established an approximate 1,232-acre drilling and spacing unit for Sections 23 and 24, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation, is hereby vacated.

2. The approximate 1,280-acre drilling and spacing unit established by Order No. 421-57 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for production of oil, gas, and associated hydrocarbons from the Codell Formation is hereby vacated.

3. Order No. 421-64 is vacated as to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M.

4. Order No. 421-77 is vacated as to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M.

5. An approximate 1,280-acre drilling and spacing unit established by Order No. 421-84 for Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the Niobrara Formation is hereby vacated.

6. Order No. 421-93 is vacated as to Sections 23 and 26, Township 12 North, Range 63 West, 6th P.M.

7. An approximate 1,280-acre drilling and spacing unit for the below-described lands, is hereby established, and up to 16 new horizontal wells within the unit, for a total of up to 17 horizontal wells, are hereby approved, for the production of oil, gas and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations:

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

Section 23: All that portion lying within the State of Colorado

Section 26: All

8. The productive interval of the wellbores in the Niobrara and Fort Hays Formations will be located no closer than 150 feet from unit boundaries, the productive interval of the wellbores in the Codell and Carlile Formations will be located no closer than 300 feet from the unit boundaries, and the productive interval of the wellbores in the Niobrara, Fort Hays, Codell, and Carlile Formations will be located no closer than 150 feet from the productive interval of any other wellbore located in the unit, unless the Director grants an exception.

9. All wells permitted under this Order will be drilled from no more than five multi-well pads within the Application Lands, or on adjacent lands with surface owner consent, unless the Director grants an exception.

10. Order No. 421-1 is hereby amended to provide that the approximate 640-acre drilling and spacing unit established by Order No. 421-1 for Section 26, Township 12 North, Range 63 West, 6th P.M., is applicable only to the Fox Creek #03-26H Well (API No. 05-123-31417-00) and its side-track (API No. 05-123-31417-01). No additional wells shall be drilled in the approximate 640-acre drilling and spacing unit established by Order No. 421-1 for Section 26, Township 12 North, Range 63 West, 6th P.M. The Fox Creek #03-26H Well (API No. 05-123-31417-00) and its side-track (API No. 05-123-31417-01) shall continue paying to the approximate 640-acre drilling and spacing unit established by Order No. 421-1 until the date of commencement of completion operations on the first horizontal well approved by this Order, at which time Fox Creek #03-26H Well and its side-track will be brought into the approximate 1,280-acre drilling and spacing unit created by this Order. Upon bringing the Fox Creek #03-26H Well (API No. 05-123-31417-00) and its side-track (API No. 05-123-31417-01) into the approximate 1,280-acre drilling and spacing unit created by this Order, the approximate 640-acre unit established by Order No. 421-1 for Section 26, Township 12 North, Range 63 West, 6th P.M., shall be deemed vacated.

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 20th day of August, 2018, as of July 30, 2018.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Spence Prine, Secretary