

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. 180600398
CODELL, AND CARLILE FORMATIONS, HEREFORD)
FIELD, WELD COUNTY, COLORADO) TYPE: SPACING
)
) ORDER NO. 421-124

REPORT OF THE COMMISSION

The Commission heard this matter on September 17, 2018, at the Garfield County Sheriff's Annex - Rifle, 106 County Road 333-A, Rifle, Colorado, upon application for an order to: 1) vacate an approximate 1,298.98-acre drilling and spacing unit established by Order No. 421-51 for Sections 13, 24 and 25, Township 12 North, Range 64 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 2) vacate an approximate 1,300-acre drilling and spacing unit established by Order No. 421-20 for Sections 13, 24 and 25, Township 12 North, Range 64 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; and 3) establish an approximate 1,298.98-acre drilling and spacing unit for Sections 13, 24 and 25, Township 12 North, Range 64 West, 6th P.M., and approve up to 14 horizontal wells within the unit, 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. CCRP Operating Inc., (Operator No. 10665) ("CCRP" 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 13, 24 and 25, Township 12 North, Range 64 West, 6th P.M., are subject to this Rule for the Niobrara, Fort Hays, Codell, and Carlile Formations.
5. On October 21, 2010, the Commission entered Order No. 421-3 which, among other things, established 83 approximate 640-acre drilling and spacing units for certain lands, including Sections 24 and 25, Township 12 North, Range 64 West, 6th P.M., and approved one horizontal well within each unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation.

6. On February 22, 2011, the Commission entered Order No. 421-7 which, among other things, added certain lands in Section 13, Township 12 North, Range 64 West, 6th P.M. into the approximate 640-acre drilling and spacing unit established by Order No. 421-3, consisting of Section 24, Township 12 North, Range 64 West, 6th P.M., and continued to allow one horizontal well in the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation, with the productive interval of any wellbore to be located no closer than 600 feet from the unit boundaries, unless the Director grants an exception.

7. On January 7, 2013, the Commission entered Order No. 421-20 which, among other things, vacated the drilling and spacing unit established by Order No. 421-7 for certain portions of Section 13 and Section 24, Township 12 North, Range 64 West, 6th P.M., and the approximate 640-acre drilling and spacing unit established by Order No. 421-3 for Section 25, Township 12 North, Range 64 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the Niobrara Formation; and established an approximate 1,300-acre stand-up exploratory drilling and spacing unit consisting of Sections 13, 24 and 25 of Township 12 North, Range 64 West, 6th P.M., and to approved up to 10 wells within the unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

8. On December 15, 2014, the Commission entered Order No. 421-51 which, among other things, established an approximate 1,298.98-acre drilling and spacing unit for Sections 13, 24 and 25, Township 12 North, Range 64 West, 6th P.M., and approved one horizontal well within the unit, 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 600 feet from the unit boundaries, unless the Director grants an exception.

9. On April 4, 2018, CCRP, by its attorneys, filed with the Commission a verified application ("Application") pursuant to §34-60-116, C.R.S., for an order to: 1) vacate an approximate 1,298.98-acre drilling and spacing unit established by Order No. 421-51 for Sections 13, 24 and 25, Township 12 North, Range 64 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Codell Formation; 2) vacate an approximate 1,300-acre drilling and spacing unit established by Order No. 421-20 for Sections 13, 24 and 25, Township 12 North, Range 64 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; and 3) establish an approximate 1,298.98-acre drilling and spacing unit for the below-described lands ("Application Lands"), and approve up to 14 horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations, with the productive interval of each 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, unless an exception is granted by the Director:

Township 12 North, Range 64 West, 6th P.M.

Section 13:	All [appx. 18.98-acres, being that portion in Colorado]
Section 24:	All
Section 25:	All

Applicant stated that all horizontal wells will be drilled from no more than four multi-well pads located within the unit, or at a legal location on adjacent lands, unless an exception is granted by the Director.

10. On July 5, 2018, CCRP, 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.

11. Land testimony and exhibits submitted in support of the Application by Lawrence Lillo, Vice President of Land for CCRP, showed that CCRP holds oil and gas leasehold interests and has a right to drill in the Application Lands.

12. Geologic testimony and exhibits submitted in support of the Application by Steen Jergensen, Vice President - Geoscience for CCRP, showed that the Niobrara, Fort Hays, Codell, and Carlile Formations are present throughout the Application Lands, that the Niobrara is approximately 260 feet thick, the Fort Hays is approximately 16 feet thick, the Codell is approximately 20 feet thick, and the Carlile is approximately 22 feet thick, and that the formations are generally of uniform thickness throughout the Application Lands. Finally, the geologic testimony affirmed that the Fort Hays and Carlile Formations are not intentional target formations for the planned wells, but should be included in the drilling and spacing unit in the event a wellbore deviates outside of the target formation.

13. Engineering testimony and exhibits submitted in support of the Application by Keith Engler, Chief Executive Officer for CCRP, showed that the drainage area for eight analog horizontal Niobrara Formation wells are estimated at 66 acres, and an approximate 1,298.98-acre drilling and spacing unit is therefore not less than the maximum area than can be efficiently, economically and effectively drained by a horizontal well producing oil, gas and associated hydrocarbons from the Niobrara Formation. Furthermore, testimony and exhibits showed that the drainage area for six analog Fort Hays, Carlile, and Codell Formation wells are estimated at 89 acres, and an approximate 1,298.98-acre drilling and spacing unit is therefore not less than the maximum area than can be efficiently, economically and effectively drained by a horizontal well producing oil, gas and associated hydrocarbons from the Fort Hays, Carlile, and Codell Formations.

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. CCRP 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 enter an order to: 1) vacate Order No. 421-51; 2) vacate Order No. 421-20; and 3) establish an approximate 1,298.98-acre drilling and spacing unit for the below-described lands ("Application Lands"), and approve up to 14 horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations.

ORDER

IT IS HEREBY ORDERED:

1. Order No. 421-51 is hereby vacated.
2. Order No. 421-20 is hereby vacated.
3. An approximate 1,298.98-acre drilling and spacing unit for the below-described

lands is hereby established, and a total of up to 14 horizontal wells within the unit 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 64 West, 6th P.M.

Section 13: All [appx. 18.98-acres, being that portion in
Colorado]
Section 24: All
Section 25: All

4. The productive interval of any wellbore will 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 within the unit, unless the Director grants an exception.

5. All wells approved under this Order shall be drilled from no more than four multi-well pads on the surface of the drilling unit, 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 2nd day of October, 2018, as of September 17, 2018.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Spence Prine, Secretary