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

IN THE MATTER OF THE APPLICATION OF)	CAUSE NO. 535
CARRIZO OIL AND GAS, INC., FOR AN ORDER TO)	
VACATE TWO APPROXIMATE 640-ACRE DRILLING)	DOCKET NO. 1309-SP-1178
AND SPACING UNITS AND ONE APPROXIMATE)	
1280-ACRE DRILLING AND SPACING UNIT AND)	ORDER NO. 535-420
ESTABLISH AN APPROXIMATE 960-ACRE)	
DRILLING AND SPACING UNIT FOR SECTIONS 20)	
AND 29, TOWNSHIP 8 NORTH, RANGE 61 WEST,)	
6 TH P.M. FOR THE NIOBRARA FORMATION,)	
UNNAMED FIELD, WELD COUNTY, COLORADO)	

REPORT OF THE COMMISSION

The Commission heard this matter on September 16, 2013, at the offices of the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Denver, Colorado, upon application for an order to: 1) vacate two approximate 640-acre drilling and spacing units established by Order No. 535-3 for Sections 20 and 29; 2) vacate Order Nos. 535-221, 535-241, 535-256, 535-287 and 535-339; 3) vacate the additional wells approved by Order No. 535-265 for Section 20, Township 8 North, Range 61 West, 6th P.M.; and 4) establish an approximate 960-acre drilling and spacing unit for Sections 20 and 29, Township 8 North, Range 61 West, 6th P.M., and approve up to sixteen horizontal wells in the unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

FINDINGS

The Commission finds as follows:

1. Carrizo Oil & Gas, Inc. ("Carrizo" 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, 2011, the Commission entered Order No. 535-3 which, among other things, established 160 approximate 640-acre drilling and spacing units, and approved one horizontal well within each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation. Sections 20 and 29, Township 8 North, Range 61 West, 6th P.M. are subject to this Order for the Niobrara Formation.
5. On November 15, 2012, the Commission entered Order No. 535-221 which, among other things, established an approximate 1280-acre drilling and spacing unit, and approved up to two horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation. Sections 20 and 29, Township 8 North, Range 61 West, 6th P.M. are subject to this Order for the Niobrara Formation.

6. On January 7, 2013, the Commission entered Order No. 535-241 which approved up to six horizontal wells within an approximate 1280-acre drilling and spacing unit for the production of oil, gas and associated hydrocarbons from the Niobrara Formation. Sections 20 and 29, Township 8 North, Range 61 West, 6th P.M. are subject to this Order for the Niobrara Formation.

7. On January 7, 2013, the Commission entered Order No. 535-256 which, among other things, pooled all interests in an approximate 1280-acre drilling and spacing unit to accommodate up to six horizontal wells, including the Gaffney 1-32-8-61 Well, for the development and operation of the Niobrara Formation. Sections 20 and 29, Township 8 North, Range 61 West, 6th P.M. are subject to this Order for the Niobrara Formation.

8. On February 11, 2013, the Commission entered Order No. 535-265 which, among other things, approved up to six horizontal wells within each of five approximate 640-acre drilling and spacing units, for the production of oil, gas, and other hydrocarbons from the Niobrara Formation, with the treated interval of the wellbore to be located no closer than 600 feet from the unit boundaries, and no closer than 600 feet from the treated interval of any other wellbore located in the unit, without exception being granted by the Director. Section 20, Township 8 North, Range 61 West, 6th P.M. is subject to this Order for the Niobrara Formation.

9. On March 25, 2013, the Commission entered Order No. 535-287 which, among other things, pooled all interests in an approximate 640-acre drilling and spacing unit, to accommodate the Sievers 20-44-8-61 Well, for the development and operation of the Niobrara Formation. Section 20, Township 8 North, Range 61 West, 6th P.M. is subject to this Order for the Niobrara Formation.

10. On June 17, 2013, the Commission entered Order No. 535-339 which, among other things, approved up to thirteen horizontal wells within an approximate 640-acre drilling and spacing unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation. Section 20, Township 8 North, Range 61 West, 6th P.M. is subject to this Order for the Niobrara Formation.

11. On July 18, 2013, Carrizo, by its attorneys, filed with the Commission pursuant to §34-60-116 C.R.S., a verified application ("Application") for an order to: 1) vacate two approximate 640-acre drilling and spacing units established by Order No. 535-3 for Sections 20 and 29; 2) vacate Order Nos. 535-221, 535-241, 535-256, 535-287 and 535-339; 3) vacate the additional wells approved by Order No. 535-265 for Section 20, Township 8 North, Range 61 West, 6th P.M.; and 4) establish an approximate 960-acre drilling and spacing unit for the below-described lands ("Application Lands"), and approve up to sixteen horizontal wells in the unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the treated interval of the wellbore to be located no closer than 300 feet from the unit boundaries, and no closer than 300 feet from the treated interval of any other wellbore located in the unit, without exception being granted by the Director:

Township 8 North, Range 61 West, 6th P.M.
Section 20: All
Section 29: N½

The proposed wells shall be located on no more than one wellpad per quarter quarter section within the drilling and spacing unit.

12. On September 3, 2013, Carrizo, 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 Craig E. Wiest, Land Manager for Applicant showed that the Applicant is an owner with the right to drill in the Application Lands.

14. Geologic testimony and exhibits submitted in support of the Application by Paul Fears, Geologist for Applicant, showed that the Niobrara Formation underlies the Application Lands. An isopach map of the interval from the top of the Niobrara Formation to the top of the Codell Formation showed the total thickness of the Niobrara averages approximately 350 feet. A type log of the Niobrara Formation showed resistivity and density values similar to logs from analogous wells producing from the Niobrara Formation. Stratigraphic cross-sections and gross thickness isopach tests show the Niobrara to be consistent, continuous, and underlying all the Application Lands.

15. Engineering testimony and exhibits submitted in support of the Application by Stephen C. Peters, Reservoir Engineering Manager for Applicant, showed that using reservoir properties, determined from performance of actual wells drilled by Carrizo as a basis for modeling, analog development scenarios resulted in efficient drainage of an area of approximately 32-acres per wellbore. This 32-acres is the approximate area per wellbore that would result from 16 wellbores within the unit with 300 feet offset from unit and interwell boundaries. Testimony also showed that the modeled production anticipated to be recovered by each well indicated sound economics and would therefore serve to protect correlative rights and avoid waste.

16. 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.

17. Carrizo agreed to be bound by oral order of the Commission.

18. 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 two approximate 640-acre drilling and spacing units established by Order No. 535-3 for Sections 20 and 29; 2) vacate Order Nos. 535-221, 535-241, 535-256, 535-287 and 535-339; 3) vacate the additional wells approved by Order No. 535-265 for Section 20, Township 8 North, Range 61 West, 6th P.M.; and 4) establish an approximate 960-acre drilling and spacing unit for Sections 20 and 29, Township 8 North, Range 61 West, 6th P.M., and approve up to sixteen horizontal wells in the unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

ORDER

IT IS HEREBY ORDERED:

1. Two approximate 640-acre drilling and spacing units established by Order No. 535-3 for Sections 20 and 29, Township 8 North, Range 61 West, 6th P.M., are hereby vacated.
2. Order Nos. 535-221, 535-241, 535-256, 535-287 and 535-339, are hereby vacated.
3. The additional wells approved by Order No. 535-265 for Section 20, Township 8 North, Range 61 West, 6th P.M., are hereby vacated.
4. An approximate 960-acre drilling and spacing unit for the below-described lands, is hereby established, and up to sixteen horizontal wells within the unit, are hereby approved, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the treated interval of the wellbore to be located no closer than 300 feet from the unit boundaries, and no closer than 300 feet from the treated interval of any other wellbore located in the unit, without exception being granted by the Director:

Township 8 North, Range 61 West, 6th P.M.

Section 20: All

Section 29: N½

5. The proposed wells shall be located on no more than one wellpad per quarter quarter section within the drilling and spacing unit.
6. Owners of adjacent and cornering tracts may request similar setbacks on the lands affected by this Order.

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 30 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 11th day of October, 2013, as of September 16, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Robert J. Frick, Secretary