



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. 150400199
FORMATION, IN AN UNNAMED FIELD, WELD )	
COUNTY, COLORADO )	ORDER NO. 535-650

REPORT OF THE COMMISSION

The Commission heard this matter on April 13, 2015 at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, CO, upon application for an order to pool all interests within an approximate 640-acre drilling and spacing unit established for Section 32, Township 9 North, Range 58 West, 6<sup>th</sup> P.M., and to subject any nonconsenting interests to the cost recovery provisions of §34-60-116(7), C.R.S. for the Bringelson 2-32-9-58, Bringelson 3-32-9-58, Bringelson 4-32-9-58, Bringelson 5-32-9-58, and Bringelson 6-32-9-58 Wells, for the development and operation of the Niobrara Formation.

FINDINGS

The Commission finds as follows:

1. Carrizo Oil & Gas, Inc. (Operator No. 10388) ("Carrizo" 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. On February 22, 2011, the Commission entered Order No. 535-3 which established various approximate 640-acre drilling and spacing units, including the Application Lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, and approved one horizontal well within each unit, with the initial perforation of Niobrara Formation and ultimate bottom hole location no closer than 600 feet from the boundaries of the unit.
5. On January 7, 2013, the Commission entered Order No. 535-238 which approved up to 6 horizontal wells in various approximate 640-acre drilling and spacing units, including the Application Lands, 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 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.
6. On January 7, 2013, the Commission entered Order No. 535-254 which pooled all interests in the approximate 640-acre drilling and spacing unit established for the Application

Lands, for the development and operation of the Niobrara Formation, to accommodate the Bringelson 1-32-9-58 Well.

7. On December 16, 2013, the Commission entered Order No. 535-446 which approved up to 15 horizontal wells in the approximate 640-acre drilling and spacing unit established for the Application Lands, 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 600 feet from the north, west, and south section lines which are adjacent to a section containing federal minerals and no closer than 300 feet from the east section line, and no closer than 300 feet from the productive interval of any other wellbore located in the unit, without exception being granted by the Director, with the wells located on no more than one well pad per quarter section within the drilling and spacing unit.

8. On December 15, 2014, the Commission entered Order No. 535-586 which approved up to 16 horizontal wells in the approximate 640-acre drilling and spacing unit established for the Application Lands, 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 300 feet from the treated interval of any other wellbore located in the unit, without exception being granted by the Director, with the wells located on no more than four well pads within the drilling and spacing unit, without exception being granted by the Director.

9. On February 11, 2015, Carrizo, by its attorneys, filed a verified application ("Application") pursuant to § 34-60-116 C.R.S. for an order to pool all interests in an approximate 640-acre drilling and spacing unit established for the below-described lands ("Application Lands"), for the development and operation of the Niobrara Formation, and to subject any nonconsenting interests to the cost recovery provisions of C.R.S. § 34-60-116(7) effective as of the earlier of the date of the Application or the date that costs were first incurred for the drilling of the Bringelson 2-32-9-58 (API No. 05-123-36625); Bringelson 3-32-9-58 (API No. 05-123-40491); Bringelson 4-32-9-58 (API No. 05-123-40482); Bringelson 5-32-9-58 (API No. 05-123-40488); Bringelson 6-32-9-58 (API No. 05-123-40490) Wells ("Wells):

Township 9 North, Range 58 West, 6<sup>th</sup> P.M.

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7. On March 23, 2015, 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.

8. Land testimony and exhibits submitted in support of the Application by Ross D. Wardlaw, Senior Landman for Carrizo, showed that all nonconsenting interest owners were notified of the Application and received an Authority for Expenditure ("AFE") and offer to participate in the Wells. Further testimony concluded that the AFE sent by the Applicant to the interest owners was a fair and reasonable estimate of the costs of the proposed drilling operation and was received at least 35 days prior to the April 13, 2015 hearing date.

9. Land testimony showed the Applicant complied with the requirements of Rule 530, and is entitled to the cost recovery provisions pursuant to §34-60-116(7), C.R.S., for the

Bringelson 2-32-9-58, Bringelson 3-32-9-58, Bringelson 4-32-9-58, Bringelson 5-32-9-58, and Bringelson 6-32-9-58 Wells, but did not provide testimony for any subsequent wells.

10. 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.

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

12. Based on the facts stated in the verified Application, having received no protests, and based on the Hearing Unit review of the Application under Rule 511., the Commission should enter an order to pool all interests within an approximate 640-acre drilling and spacing unit established for Section 32, Township 9 North, Range 58 West, 6<sup>th</sup> P.M., and to subject any nonconsenting interests to the cost recovery provisions of §34-60-116(7), C.R.S. for the Bringelson 2-32-9-58, Bringelson 3-32-9-58, Bringelson 4-32-9-58, Bringelson 5-32-9-58, and Bringelson 6-32-9-58 Wells, for the development and operation of the Niobrara Formation.

### ORDER

#### IT IS HEREBY ORDERED:

1. Pursuant to the provisions of §34-60-116, C.R.S., as amended, of the Oil and Gas Conservation Act, all interests in an approximate 640-acre drilling and spacing unit established for the below-described lands, are hereby pooled, for the development and operation of the Niobrara Formation, effective as of the earlier of the date of the Application or the date that costs were first incurred for the drilling of the Bringelson 2-32-9-58 (API No. 05-123-36625); Bringelson 3-32-9-58 (API No. 05-123-40491); Bringelson 4-32-9-58 (API No. 05-123-40482); Bringelson 5-32-9-58 (API No. 05-123-40488); Bringelson 6-32-9-58 (API No. 05-123-40490) Wells:

Township 9 North, Range 58 West, 6<sup>th</sup> P.M.  
Section 32: All

2. The production obtained from the unit shall be allocated to each owner in the drilling and spacing unit on the basis of the proportion that the number of acres in such tract bears to the total number of mineral acres within the drilling and spacing unit; each owner of an interest in the drilling and spacing unit shall be entitled to receive its share of the production of the Well located on the drilling and spacing unit applicable to its interest in the drilling and spacing unit.

3. The nonconsenting (unleased) owners must reimburse the consenting working interest owners for their share of the costs and risks of drilling and operating the Well (including penalties as provided by §34-60-116(7)(b), C.R.S.) out of production from the drilling and spacing unit representing the cost-bearing interests of the nonconsenting working interest owners as provided by §34-60-116(7)(a), C.R.S.

4. Any unleased owners are hereby deemed to have elected not to participate and shall therefore be deemed to be nonconsenting as to the Well and be subject to the penalties as provided for by §34-60-116(7), C.R.S. Any party seeking the cost recovery provisions of §34-60-116(7), C.R.S., shall first comply with subsection (d) for any subsequent well(s).

5. Each nonconsenting unleased owner within the drilling and spacing unit shall be treated as the owner of the landowner's royalty to the extent of 12.5% of its record title interest, whatever that interest may be, until such time as the consenting owners recover, only out of each nonconsenting owner's proportionate 87.5% share of production, the costs specified in §34-60-116(7)(b), C.R.S. as amended. After recovery of such costs, each unleased nonconsenting mineral owner shall then own its proportionate 8/8ths share of the Wells, surface facilities and production, and then be liable for its proportionate share of further costs incurred in connection with the Well as if it had originally agreed to the drilling.

6. The operator of the well drilled on the above-described drilling and spacing unit shall furnish the nonconsenting owners with a monthly statement of all costs incurred, together with the quantity of oil and gas produced, and the amount of proceeds realized from the sale of production during the preceding month.

7. Nothing in this order is intended to conflict with §34-60-116, C.R.S., as amended. Any conflict that may arise shall be resolved in favor of the statute.

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 18 day of April, 2015, as of April 13, 2014.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By   
Julie Murphy, Secretary