



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 CODELL AND) DOCKET NO. 150100042
NIOBRARA FORMATIONS, UNNAMED FIELD,)
WELD COUNTY, COLORADO) ORDER NO. 535-635

REPORT OF THE COMMISSION

The Commission heard this matter on March 2, 2015 at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to pool all interests within an approximate 3200-acre Unconventional Resource Unit established for Sections 25, 26, 27, 34, and 35, Township 9 North, Range 59 West, 6th P.M., and to subject any nonconsenting interests to the cost recovery provisions of §34-60-116(7), C.R.S. for the Wells, for any well drilled within two years from the date of this Order, for the development and operation of the Codell and Niobrara Formations.

FINDINGS

The Commission finds as follows:

1. Noble Energy, Inc. (Operator No. 100322) (“Noble” 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 April 28, 2014, the Commission entered Order No. 535-480 which established an approximate 3,200-acre unconventional resource unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, and approved an appropriate number of vertical, directional or horizontal wells in order to efficiently and economically recover the oil, gas and associated hydrocarbons within the unit. Sections 25, 26, 27, 34, and 35, Township 9 North, Range 59 West, 6th P.M. is subject to this Order for the Codell and Niobrara Formations.
5. On June 17, 2014, the Commission entered Order No. 535-496 which modified the setbacks, to allow for 300-foot setbacks for certain unit boundary lines, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations. Sections 25, 26, 27, 34, and 35, Township 9 North, Range 59 West, 6th P.M. is subject to this Order for the Codell and Niobrara Formations.
6. On November 17, 2014, Noble, 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 3200-acre Unconventional Resource Unit units established for the below-described

lands ("Application Lands"), for the development and operation of the Codell and Niobrara Formations, and to subject any nonconsenting interests to the cost recovery provisions of §34-60-116(7), C.R.S., effective as of the date of the Application, were first incurred for the drilling of any well in the unit, pursuant to the Unit Agreement ("UA") and Unit Operating Agreement ("UOA") or Commission Order:

Township 9 North, Range 59 West, 6th P.M.

Section 25: All
Section 26: All
Section 27: All
Section 34: All
Section 35: All

7. On January 5, 2015, Noble, 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 Julie Jenkins, Land Manager for Noble, showed that all nonconsenting interest owners were notified of the Application and received an Authority for Expenditure ("AFE") and offer to participate in the Well. 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 March 2, 2015 hearing date.

9. The 3,200-acre URU is subject to a Unit Agreement ("UA") and Unit Operating Agreement ("UOA") whereby Noble was designated operator. A majority of the working interest owners have signed the UA and UOA.

10. Land testimony stated the nonconsenting owners subject to the cost recovery penalties set forth in §34-60-116(7) C.R.S. are either unlocatable or deceased. The total interest of the nonconsenting owners equals approximately 1.55% of the URU.

11. Existing wells or wells drilled (to total depth) within two years from the date of this Order are herein defined as the Initial Wells ("Initial Wells").

12. 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.

13. The Commission requested that this matter be set for review by the Commission in one year and annually thereafter, without exception being granted by the Commission.

14. Noble agreed to be bound by oral order of the Commission.

15. 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 3200-acre Unconventional Resource Unit units established for Sections 25, 26, 27, 34, and 35, Township 9 North, Range 59 West, 6th P.M., and to subject any nonconsenting interests to the cost recovery provisions of §34-60-116(7), C.R.S. for the Wells, for existing wells and for any wells drilled within two years

from the date of this Order, for the development and operation of the Codell and Niobrara Formations.

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 3200-acre Unconventional Resource Unit unit established for the below-described lands, are hereby pooled, for the development and operation of the Codell and Niobrara Formations, effective as of the date of the URU effective date, for the drilling of the Initial Wells:

Township 9 North, Range 59 West, 6th P.M.
Section 25: All
Section 26: All
Section 27: All
Section 34: All
Section 35: All

2. The production obtained from the Unconventional Resource unit shall be allocated to each owner in the 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 Unconventional Resource unit; each owner of an interest in the Unconventional Resource 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 Unconventional Resource unit.

3. The nonconsenting 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 Unconventional Resource 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 Unconventional Resource 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 Well, 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 Unconventional Resource 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. For purposes of cost recovery pursuant to C.R.S. §§34-60-116(6), (7) as applied to the following five nonconsenting interest owners - Adam Ernest, Michael Ernest, William Ernest, Robert McManus, or John McManus (c/o Lois McManus):

a. Each of the five nonconsenting interest owners set forth above shall make an election to participate or be pooled by statute in the Initial Wells collectively, rather than in each Initial Well individually; and

b. Each of the five nonconsenting interest owners set forth above shall be subject to the cost recovery provisions of C.R.S. § 34-60-116(7) which shall apply to each of the Initial Wells; and

c. If any of the five above-listed nonconsenting interest owners materialize or are located, Applicant shall re-comply with Rule 530 and shall provide such party (and only such party, not any successors in interest) the opportunity to participate, lease, or be pooled by statute in any Initial wells not yet drilled to total depth (or abandoned) within the Unconventional Resource unit.

8. During the period of cost recovery provided for in §34-60-116(7), C.R.S. the Commission shall retain jurisdiction to determine the reasonableness of costs of operation of the well attributable to the interest of such non-consenting owner.

9. 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.

10. The Unconventional Resource Unit described above, shall be considered a drilling and spacing unit established by the Commission for purposes of Rule 530.a.

11. This matter shall be set for review by the Commission in one year and annually thereafter, without exception being granted by the Commission.

IT IS FURTHER ORDERED:

1. The provisions contained in the above order shall become effective immediately.

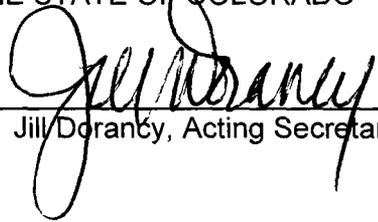
2. The Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

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 18th day of March, 2015, as of March 2, 2015.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Jill Dorancy, Acting Secretary