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09.10.14

**PROTEST(S)**  
**& Interventions / 510 Statements + Associated**  
**Withdrawals**



# United States Department of the Interior

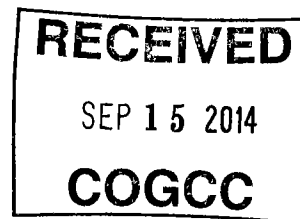
BUREAU OF LAND MANAGEMENT

Colorado State Office  
2850 Youngfield Street  
Lakewood, Colorado 80215-7210  
www.co.blm.gov



In Reply Refer To:  
3160 (CO-922)

SEP 10 2014



Mr. Matthew Lepore, Director  
Colorado Oil and Gas Conservation Commission  
1120 Lincoln Street, Suite 801  
Denver, CO 80203

Re: Hearing Protest  
Hearing Date: September 15 & 16, 2014  
Cause 535, Docket No. 1409-SP-2106  
ConocoPhillips Company

ORIGINAL

Dear Mr. Lapore:

For the reasons described below, the Colorado Bureau of Land Management (BLM) protests the above-referenced Docket item.

## **Background**

By applications for hearing to the Colorado Oil and Gas Conservation Commission (COGCC), ConocoPhillips Company (ConocoPhillips), through its attorneys, Jost & Shelton Energy Group, P.C., proposes to establish a 640-acre exploratory drilling and spacing unit and allow 460 foot setbacks to the unit boundaries of Section 5, Township 5 South, Range 64 West, 6<sup>th</sup> P.M.. The amendment would change well setbacks from the drilling unit boundaries from 600 feet to 480 feet. BLM manages leased mineral estate immediately adjacent to the subject application lands in Section 6.

## **The August 1991 MOU Between BLM and COGCC**

We submit this protest on the subject proposal, in accordance with the COGCC and BLM Memorandum of Understanding (MOU) and as mineral owner. Pursuant to Section F.3. of the MOU, BLM protests the application and provides the following discussion regarding the above captioned matter.

Section F.3. of the MOU, states in relevant part that, "It is agreed that all matters which would require COGCC approval . . . involving nonfederal minerals shall be initially submitted to the

COGCC even if federal/Indian minerals are partially involved.<sup>1</sup> . . . Both types of matters shall be heard and decided by the COGCC, subject to the conditions set forth below.” Section F.3. then provides that:

Any such [BLM] protest shall specify the Colorado BLM objections and the conditions, if any, under which the Colorado BLM will accept the relief requested. The COGCC shall either issue its order incorporating the conditions of the protest or shall relinquish jurisdiction to the Colorado BLM over the matter insofar as it relates to federal/Indian lands.

BLM has an obligation to ensure that federally-owned minerals will be efficiently developed and adequately protected so that optimum recovery will be realized.

### **Proposed Well Setback Allowances**

As stated, ConocoPhillips has proposed to decrease well setback distance of the existing DSU boundaries to 480 feet. Application of reduced setback within the subject DSU positioned adjacent to the unleased federal mineral estate or positioned adjacent to existing Deep Formation DSUs that include federal mineral estate lands would serve to impact the correlative rights of the public.

The reservoir and drainage characteristics of, and completion techniques for the Niobrara formation are not conducive to the 480’ well setback distance from the DSU boundary. The well setback distance for the Niobrara formation under COGCC Rule 318.a. would be 600’. It is our belief, considering existing science, that if the setback distance is allowed to be reduced to 480’ then the induced completion fractures will actually enter the adjacent mineral estate and amplify drainage.

### **BLM’s Recommendation**

The recommended solution to this situation, considering the lack of adequate science concerning the Niobrara formation, is for the Commission to deny the application insofar as the 480’ setback is concerned and not allow a well setback distance less than 600’ from the DSU boundary. If, however, the adjacent lands agree to 480’ setbacks, we will agree to the 480’ setback as proposed.

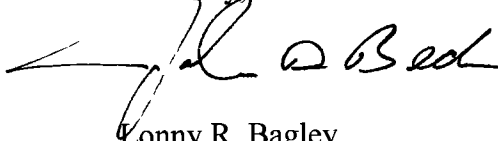
Pursuant to the above-cited provisions of Section F.3. of the MOU, BLM requests that the Commission either issue an order incorporating the above identified recommended solution or relinquish jurisdiction over the matter to the Colorado BLM. Because the above-cited provisions of the MOU require the COGCC to issue a decision incorporating the conditions proposed by BLM or relinquish jurisdiction to BLM, BLM does not believe that proceeding with the currently-scheduled hearing is appropriate. BLM notes that, under either course of action, an interested party will have the right to appeal to the BLM Colorado State Director and to the Interior Board of Land Appeals pursuant to Section G.4. of the MOU or 43 C.F.R. § 3165.3, respectively.

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<sup>1</sup> Federally-owned minerals lie immediately adjacent to the subject lands.

We appreciate your willingness to resolve issues and implement solutions that affect us both. Questions should be directed to Peter Cowan, Petroleum Engineer, at (303) 239-3939.

Sincerely,

A handwritten signature in black ink, appearing to read "Lonny R. Bagley". The signature is fluid and cursive, with a long horizontal stroke at the beginning.

ACTING

Lonny R. Bagley  
Deputy State Director  
Energy, Lands, and Minerals

cc: Jamie L. Jost, Jost & Shelton Energy Group, P.C., Attorney for ConocoPhillips Company  
Joseph M. Evers, Jost & Shelton Energy Group, P.C., Attorney for ConocoPhillips Company  
Mr. Robert Frick, Hearings Manager, Colorado Oil and Gas Conservation Commission



STATE OF  
COLORADO

## Fwd: Docket Number 1409-SP-2106

Dorancy - DNR, Jill <jill.dorancy@state.co.us>  
To: Margaret Humecki - DNR <margaret.humecki@state.co.us>

Thu, Oct 16, 2014 at 9:50 AM

ORIGINAL

Jill Dorancy  
Hearing Officer



**COLORADO**  
Oil & Gas Conservation  
Commission  
Department of Natural Resources

P 303.894.2100 x5137 | F 303.894.2109  
1120 Lincoln Street, Suite 801, Denver, CO 80203  
jill.dorancy@state.co.us | www.colorado.gov/cogcc

----- Forwarded message -----

From: **Cowan, Peter** <picowan@blm.gov>  
Date: Fri, Oct 3, 2014 at 12:39 PM  
Subject: Docket Number 1409-SP-2106  
To: "Dorancy - DNR, Jill" <jill.dorancy@state.co.us>, James Parrot <jparrot@jsenergygroup.com>  
Cc: Victor Xuan <vxuan@blm.gov>, Patrick Gallagher <pgallagh@blm.gov>, Jerome Strahan <jstrahan@blm.gov>, Jamie Jost <jjost@jsenergygroup.com>

Howdy Jill and James,

Based on the discussions with COGCC concerning the latest MOU, the BLM has decided to withdraw our protests for decreased setbacks. The BLM will be differing to COGCC's technical review for reduced setbacks. For this reason, the BLM requests to withdraw our protest of Docket Number 1409-SP-2106.

Thank you both for your help and patience with us through this process. Please let me know if you have any questions.

Thank you!  
Peter

—  
**Peter Cowan | Petroleum Engineer**  
Bureau of Land Management | Colorado State Office  
Office (303) 239-3939 | Fax (303) 239-3799 | picowan@blm.gov

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