

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

IN THE MATTER OF THE APPLICATION FOR RULE) CAUSE NO. 1
502.a. VARIANCE AND ORDER EXEMPTING THE W)
F MUDDY UT/MITCHELL 14-1 WELL FROM THE) DOCKET NO. 220900234
REQUIREMENTS OF RULES 209.c., 419, AND)
ORDER 1-232, LOCATED IN TOWNSHIP 9 NORTH,) TYPE: VARIANCE
RANGE 68 WEST, WELLINGTON FIELD, LARIMER)
COUNTY, COLORADO) ORDER NO. 1-299

REPORT OF THE COMMISSION

The Commission heard this matter on January 25, 2023, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln St, Ste. 801, Denver, CO 80203, upon application for an order for a Rule 502.a. variance and order exempting the W F Muddy UT/Mitchell 14-1 Well (API No. 05-069-05182) from the requirements set forth in Rules 209.c. and 419, and in Order 1-232, located on the below-described lands (“Application Lands”).

Township 9 North, Range 68 West, 6th P.M.
Section 6: SW¹/₄NE¹/₄

W F Muddy UT 14-1 (Union Oil of Cal., Mitchell 1)
(API No. 05-069-05182) (“Application Well”)

FINDINGS

The Commission finds as follows:

1. Wellington Operating Company (Operator No. 95233) (“Wellington” 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. Pursuant to C.R.S. § 34-60-106(2.5)(a), the Commission shall regulate oil and gas operations in a reasonable manner to protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources, and shall protect against adverse environmental impacts on any air, water, soil, or biological resource resulting from oil and gas operations.
5. Rule 502.a. provides that requests for variances to any of the Commission’s Rules or orders will be filed with the Commission.
6. Rule 502.b. provides that variances from the ministerial application of Commission Rules or orders may be granted by the Director, however, if such variance request implicates

matters of public health, safety, and welfare, the environment or wildlife resources, the Director will refer the application to the Commission for hearing.

7. A Rule 502.b. variance requires the applicant to demonstrate that:

- (1) It has made a good faith effort to comply, or is unable to comply, with the specific requirements contained in the Commission's Rule or order from which it seeks a variance, including, without limitation, securing a waiver or an exception, if any;
- (2) That the requested variance will not violate the basic intent of the Act;
- (3) The requested variance is necessary to avoid an undue hardship;
- (4) Granting the variance will result in no net adverse impact to public health, safety, welfare, the environment, or wildlife resources; and
- (5) The requested variance contains reasonable conditions of approval or other mitigation measures to avoid, minimize, or mitigate adverse impacts to public health, safety, welfare, the environment, and wildlife resources.

8. Applicants made the necessary Rule 502.c. demonstration as set forth in more detail below.

9. Applicant made a good faith effort to comply with Rules 209.c. and 419 and Order 1-232 by undertaking a significant excavation project to locate the Application Well's bradenhead. Applicant executed a nine-day excavation effort which revealed that the Bradenhead is encased in a very large concrete block several feet below the ground surface, and therefore, not accessible. Applicant considered trying to break the concrete but decided against it due to potential risks to workers and surface and production casing integrity.

10. The variance to Rules 209.c. and 419, and Order 1-232 will not violate the basic intent of the Colorado Oil and Gas Conservation Act ("Act"). The Act's legislative declaration provides that it is in the public interest to "[r]egulate the development and production of the natural resources of oil and gas in the state of Colorado in a manner that protects public health, safety, and welfare, including protection of the environment and wildlife resources." C.R.S. § 34-60-102(1)(a)(I). Further, the Commission is authorized to "regulate oil and gas operations in a reasonable manner to protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources and shall protect against adverse environmental impacts to any air, water, soil, or biological resource resulting from oil and gas operations." C.R.S. § 34-60-106(2.5)(a). Finally, the Commission "has jurisdiction over all persons and property, public and private, necessary to enforce this article..." and is authorized "to do whatever may reasonably be necessary to carry out this article." C.R.S. § 34-60-105(1)(a).

11. Granting the requested variance and order will not violate the Act because it will not adversely impact public health, safety, welfare, the environment, or wildlife resources. The Application Well poses little to no risk to public health, safety, welfare, the environment, and wildlife resources. None of the wells in the field have measurable positive bradenhead pressure. The Application Well operates at low pressure and requires artificial lift to flow to the surface. The bottom-hole pressure averages less than 300 psi and the casing pressure is 20 psig. The

Application Well produces a small quantity of liquid hydrocarbons, approximately 1.5 – 2.5%, and the associated produced water has very low total dissolved solids (<2200 TDS). The shut-in fluid level is greater than 3,000 ft. below surface, well below the deepest known aquifer in the area. Accordingly, the Application Well has a very low risk of a well control event, if even possible.

12. The requested variance is necessary to avoid an undue hardship. Without the requested variance and order, Applicant would be forced to re-drill the Application Well which would cause additional surface impacts, pose potential safety risks due to proximity to active flow lines and the north oil treatment and tank battery, increase traffic and noise impacts to residents in the area, and potentially disrupt agricultural activities. In addition, shutting in or re-drilling the Application Well would pose an undue financial hardship on the Applicant. The Application Well is the structurally highest active well in the field and is essential to the field production strategy. Granting the variance will result in no net adverse impact to public health, safety, welfare, the environment, or wildlife resources.

13. Granting an exemption to Rules 209.c. and 419, and Order 1-232 will not result in any adverse impact to public health, safety, welfare, the environment, or wildlife resources. As explained above, there is very low risk, if any, of the Application Well experiencing a well control event. Because of the low reservoir pressure and absence of potentially flowing zones above, the Application Well is unlikely to exceed annular pressure that would result in a well condition that would present a risk to health, safety, or the environment. Moreover, the other wells in the field have no measurable bradenhead pressure. Finally, the location of the Application Well is within the limits of the limits of North Battery, an extensively disturbed area, that is closely monitored by the Operator and away from residences.

14. Applicant's variance request does not implicate any adverse impacts to public health, safety, welfare, the environment, or wildlife resources. Applicant will continue to daily visual inspections of the Application Well.

15. On December 9, 2022, the Director issued a recommendation that the Commission approve the Application on the basis that the Application Well is part of a pressure depleted field that presents no reasonable risk of impact from the build up of pressure in the Application Well's Bradenhead. As a result, the inability to monitor or test for bradenhead pressure does not increase potential risk of groundwater impacts. The Director's Recommendation was posted on the Commission's website and filed with the Hearings Unit.

16. Granting the Application is consistent with the protection of public health, safety, welfare, the environment, and wildlife resources.

17. Wellington agrees to be bound by oral order of the Commission.

18. The Commission has not received any petitions pursuant to Rule 507. Therefore, the Application is uncontested.

19. Based on the facts stated in the verified Application, the Rule 505 testimony, consideration of the Director's Recommendation of the Application pursuant to Rule 508, and no petitions having been received, the Commission finds that Wellington has satisfied Rule 502.c. and that, pursuant to Rule 502.b., a variance excusing Wellington from further compliance with Rules 209.c. and 419, and Order 1-232, is proper.

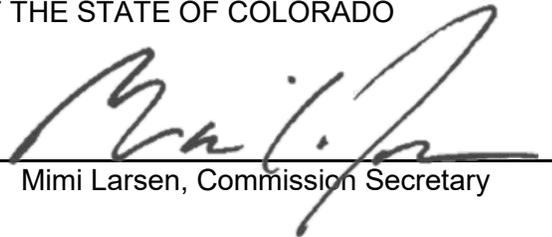
ORDER

IT IS HEREBY ORDERED:

1. The Application for a Rule 502.b. variance from bradenhead test requirements under Rules 209.c. and 419, and Order 1-232 for the W F Muddy UT 14-1 (Union Oil of Cal., Mitchell 1) (API No. 05-069-05182), located within the Application Lands, is hereby granted.
2. Within 15 days of the effective date of the Order, Wellington will file a Form 4 Sundry Notice for the W F Muddy UT 14-1 (Union Oil of Cal., Mitchell 1) (API No. 05-069-05182) documenting the Commission's approval of the variance, and brief description of the nature of the variance granted, including the specific Rule(s) for which relief was granted.
3. The provisions contained in the above order shall become effective immediately.
4. The Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.
5. 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.
6. An application for reconsideration by the Commission of this Order is not required prior to the filing for judicial review.

ENTERED this 3rd day of February 2023, as of January 25, 2023.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO



Mimi Larsen, Commission Secretary