

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

IN THE MATTER OF THE APPLICATION OF)	CAUSE NO. 535
CONOCOPHILLIPS COMPANY FOR AN ORDER TO)	
ESTABLISH FOUR APPROXIMATE 640-ACRE)	DOCKET NO. 1301-SP-07
DRILLING AND SPACING UNITS AND APPROVE UP)	
TO TWO HORIZONTAL WELLS WITHIN EACH UNIT)	ORDER NO. 535-246
FOR SECTIONS 8 AND 28, TOWNSHIP 4 SOUTH,)	AMENDED
RANGE 63 WEST, 6 TH P.M., SECTION 2, TOWNSHIP)	
4 SOUTH, RANGE 64 WEST, 6 TH P.M., AND SECTION)	
2, TOWNSHIP 5 SOUTH, RANGE 64 WEST, 6 TH P.M.,)	
FOR THE NIOBRARA FORMATION, UNNAMED)	
FIELD, ARAPAHOE COUNTY, COLORADO)	

AMENDED REPORT OF THE COMMISSION

The Commission heard this matter on March 25, 2013, at the 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to establish four approximate 640-acre drilling and spacing units for Sections 8 and 28, Township 4 South, Range 63 West, 6th P.M., Section 2, Township 4 South, Range 64 West, 6th P.M., and Section 2, Township 5 South, Range 64 West, 6th P.M., and approve up to two horizontal wells within each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

FINDINGS

The Commission finds as follows:

1. ConocoPhillips Company ("ConocoPhillips" 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. Rule 318.a. of the Rules and Regulations of the Oil and Gas Conservation Commission requires that wells drilled in excess of 2,500 feet in depth be located not less than 600 feet from any lease line, and located not less than 1,200 feet from any other producible or drilling oil or gas well when drilling to the same common source of supply. Sections 8 and 28, Township 4 South, Range 63 West, 6th P.M., Section 2, Township 4 South, Range 64 West, 6th P.M., and Section 2, Township 5 South, Range 64 West, 6th P.M. are subject to this Rule for the Niobrara Formation.
5. On November 2, 2012, ConocoPhillips Company ("ConocoPhillips" or "Applicant"), by its attorneys, filed with the Commission pursuant to § 34-60-116 C.R.S., a verified application ("Application") for an order to establish four approximate 640-acre drilling and spacing units for the below-described lands ("Application Lands"), and approve up to two horizontal wells within each 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 460 feet from the unit boundaries and no closer than 920 feet from the treated interval of any other wellbore located in the unit, without exception being granted by the Director:

<u>Township 4 South, Range 63 West, 6th P.M.</u>		
Section 8:	All	("DSU #1)
<u>Township 4 South, Range 63 West, 6th P.M.</u>		
Section 28:	All	("DSU #2)
<u>Township 4 South, Range 64 West, 6th P.M.</u>		
Section 2:	All	("DSU #3)
<u>Township 5 South, Range 64 West, 6th P.M.</u>		
Section 2:	All	("DSU #4)

6. On December 19, 2012, ConocoPhillips, by its attorneys, filed with the Commission a written request to approve the Application based on its merits of the verified application and the supporting exhibits. Sworn written testimony and exhibits were submitted in support of the Application.

7. Land testimony and exhibits submitted in support of the Application by Carson Buckles, Landman for ConocoPhillips, showed that ConocoPhillips holds a mineral leasehold interest in the Application Lands.

8. Geologic testimony and exhibits submitted in support of the Application by Dennis P. Holler, Senior Geological Associate for MHA Petroleum Consultants for ConocoPhillips, showed that the Niobrara Formation exists under all of the Application Lands. Additional testimony showed that the total thickness of the Niobrara Formation under the Application Lands is 300 feet thick.

9. Engineering testimony and exhibits submitted in support of the Application by John Seidle, Vice-President of MHA Petroleum Consultants, LLC for ConocoPhillips, showed the estimated ultimate recovery from horizontal wells in the Niobrara Formation within the Application Lands is 271 MBO. Additional testimony showed that the calculated drainage area is expected to be 261-acres, with a recovery factor of 5%. Testimony concluded the economics of the project are sound.

10. On January 7, 2013, the Commission entered Order No. 535-246 which established four approximate 640-acre drilling and spacing units for the Application Lands, and approved up to two horizontal wells within each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation. The Order, however, was silent as to whether vertical and directional wells to the Niobrara Formation would remain subject to Commission Rule 318.a. or other such orders as may be entered by the Commission.

11. On February 20, 2013, ConocoPhillips, by its attorneys, filed with the Commission a Request to Re-Open and Amend Order 535-246 to specifically address the vertical and directional wells.

12. The above-referenced testimony and exhibits show that the granting of the Application will allow more efficient reservoir drainage, and will prevent waste, will assure a greater ultimate recovery of hydrocarbons and will not violate correlative rights.

13. ConocoPhillips has agreed to be bound by the oral order of the Commission.

14. Based on the facts stated in the Application, having received no protests, and based on the Hearing Officer review under Rule 511, the Commission should enter an order to establish four approximate 640-acre drilling and spacing units for Sections 8 and 28, Township 4 South, Range 63 West, 6th P.M., Section 2, Township 4 South, Range 64 West, 6th P.M., and Section 2, Township 5 South, Range 64 West, 6th P.M. and approve up to two horizontal wells within each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

ORDER

NOW, THEREFORE, IT IS ORDERED, that four approximate 640-acre drilling and spacing units for the below-described lands, are hereby established, and up to two horizontal wells within each 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 460 feet from the unit boundaries and no closer than 920 feet from the treated interval of any other wellbore located in the unit**, without exception being granted by the Director:

<u>Township 4 South, Range 63 West, 6th P.M.</u> Section 8:	All	("DSU #1)
<u>Township 4 South, Range 63 West, 6th P.M.</u> Section 28:	All	("DSU #2)
<u>Township 4 South, Range 64 West, 6th P.M.</u> Section 2:	All	("DSU #3)
<u>Township 5 South, Range 64 West, 6th P.M.</u> Section 2:	All	("DSU #4)

IT IS FURTHER ORDERED, **that the spacing units and well location rules established above are applicable to the drilling and production of horizontal wells only, with vertical and directional wells drilled to the Niobrara Formation remaining subject to Commission Rule 318.a. or such other orders as may be entered by the Commission.**

IT IS FURTHER ORDERED, the provisions contained in the above order, shall become effective immediately.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

IT IS FURTHER ORDERED, that under the State Administrative Procedure Act, the Commission considers this order to be final agency action for purposes of judicial review within thirty (30) days after the date of this order is mailed by the Commission.

IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

ENTERED THIS 15th day of January, 2013, as of January 7, 2013.

AMENDED THIS 5th day of April 2013, as of January 7, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO



By _____
Robert J. Frick, Secretary