

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 NIOBRARA ) DOCKET NO. 1407-SP-2097  
FORMATIONS, UNNAMED FIELD, WELD COUNTY, )  
COLORADO ) ORDER NO. 535-520  
) **CORRECTED**

REPORT OF THE COMMISSION

The Commission heard this matter on July 28, 2014, at the Weld County Administration Building - Events Center, 1150 "O" Street, Greeley, CO, upon application for an order to: 1) vacate an approximate 640-acre drilling and spacing unit established by Order No. 535-378 for Section 28, Township 8 North, Range 60 West, 6<sup>th</sup> P.M.; 2) vacate an approximate 640-acre drilling and spacing unit established by Order No. 535-390 for Section 33, Township 8 North, Range 60 West, 6<sup>th</sup> P.M.; and 3) establish an approximate 1280-acre drilling and spacing unit for Sections 28 and 33, Township 8 North, Range 60 West, 6<sup>th</sup> P.M., and approve up to four horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations.

FINDINGS

The Commission finds as follows:

1. Foundation Energy Fund III-A, L.P., Foundation Energy Fund III-B Holding, L.L.C., Foundation Energy Fund IV-A, L.P., and Foundation Energy Fund IV-B Holding, L.L.C., by and through Foundation Energy Management, L.L.C., as manager of each of these four entities (collectively "Foundation" 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. On July 29, 2013, the Commission entered Order No. 535-378 which established an approximate 640-acre drilling and spacing unit and approved up to four horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation. Section 28, Township 8 North, Range 60 West, 6<sup>th</sup> P.M. is subject to this Order for the Niobrara Formation.
5. On July 29, 2013, the Commission entered Order No. 535-390 which established two approximate 640-acre drilling and spacing units and approved up to four horizontal wells within each unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation. Section 33, Township 8 North, Range 60 West, 6<sup>th</sup> P.M. is subject to this Order for the Niobrara Formation.

6. On May 29, 2014, Foundation, by its attorneys, filed a verified application (“Application”) pursuant to §34-60-116 C.R.S. for an order to: 1) vacate an approximate 640-acre drilling and spacing unit established by Order No. 535-378 for Section 28, Township 8 North, Range 60 West, 6<sup>th</sup> P.M.; 2) vacate an approximate 640-acre drilling and spacing unit established by Order No. 535-390 for Section 33, Township 8 North, Range 60 West, 6<sup>th</sup> P.M.; and 3) establish an approximate 1280-acre drilling and spacing unit for Sections 28 and 33, Township 8 North, Range 60 West, 6<sup>th</sup> P.M., and approve up to four horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, with the productive interval of the wellbore to be located no closer than 600 feet from the unit boundaries, and no closer than 200 feet from the productive interval of any other wellbore located in the unit, without exception being granted by the Director:

Township 8 North, Range 60 West, 6<sup>th</sup> P.M.

Section 28: All

Section 33: All

Applicant stated that the proposed wells will be located on no more than four drilling pads within the unit, or at a legal location on adjacent lands.

7. On July 15, 2014, Foundation, 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. On July 21, 2014, the Bureau of Land Management (“BLM”) and Foundation reached an agreement wherein, if the BLM has not previously approved a Communitization Agreement (“CA”) on the Application Lands, Foundation agrees to submit a CA to the BLM within 90 days of the spud of the first well, or within 60 days of the date of this Order if there is an existing well in the spaced formation, whichever applies first, in any drilling and spacing unit that contains leased or unleased Federal minerals. The Application Lands contain Federal minerals managed by the BLM.

9. Land Testimony and exhibits submitted in support of the Application by Scott Ryan, Landman for Foundation, showed that Foundation holds leasehold interests and has the right to drill in the Application Lands.

10. Geologic Testimony and exhibits submitted in support of the Application by Meredith Smith, Geologist for Foundation, showed that the Niobrara Formation in this area consists of the A, B, and C Benches of the Smokey Hill member and Fort Hayes member. Testimony further showed that the measured depth of the B Bench ranges between 6,250 and 6,300 feet and the Niobrara Formation is uniform, present, and has an average thickness of 285 feet throughout the Application Lands.

11. Engineering Testimony and exhibits submitted in support of the Application by Joseph Tyree, Reservoir Engineer for Foundation, showed that the drainage area for an analog Niobrara oil well is estimated at 154 acres. Therefore, a 1280-acre drilling and spacing unit is not less than the maximum area than can be efficiently, economically and effectively produced for oil, gas and associated hydrocarbons from the Codell and Niobrara Formations.

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. Foundation agreed to be bound by oral order of the Commission.

14. Based on the facts stated in the verified Application, having received no protests, and based on the Hearing Officer review of the Application under Rule 511, the Commission should enter an order to: 1) vacate an approximate 640-acre drilling and spacing unit established by Order No. 535-378 for Section 28, Township 8 North, Range 60 West, 6<sup>th</sup> P.M.; 2) vacate an approximate 640-acre drilling and spacing unit established by Order No. 535-390 for Section 33, Township 8 North, Range 60 West, 6<sup>th</sup> P.M.; and 3) establish an approximate 1280-acre drilling and spacing unit for the Application Lands, and approve up to four horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations.

### ORDER

#### IT IS HEREBY ORDERED:

1. An approximate 640-acre drilling and spacing unit established by Order No. 535-378 for Section 28, Township 8 North, Range 60 West, 6<sup>th</sup> P.M. is hereby vacated.

2. An approximate 640-acre drilling and spacing unit established by Order No. 535-390 for Section 33, Township 8 North, Range 60 West, 6<sup>th</sup> P.M. is hereby vacated.

3. An approximate 1280-acre drilling and spacing unit for the below-described lands, is hereby established, and a total of up to four horizontal wells within the unit, are hereby approved, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations::

Township 8 North, Range 60 West, 6<sup>th</sup> P.M.

Section 28: All

Section 33: All

4. The productive interval of the wellbore shall be located no closer than 600 feet from the unit boundaries, and no closer than 200 feet from the productive interval of any other wellbore located in the unit, without exception being granted by the Director.

5. The proposed wells shall be located on no more than four drilling pads within the unit, or at a legal location on adjacent lands.

6. If the BLM has not previously approved a Communitization Agreement ("CA") on the Application Lands, Foundation shall submit a CA to the BLM within 90 days of the spud of the first well, or within 60 days of the date of this Order if there is an existing well completed in the spaced formation, whichever applies first, in any drilling and spacing unit that contains Federal minerals managed by the BLM.

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 13<sup>th</sup> day of August, 2014, as of July 28, 2014.

**CORRECTED this 15<sup>th</sup> day of September, 2014, as of July 28, 2014.**

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO



By \_\_\_\_\_  
Robert J. Frick, Secretary