

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

IN THE MATTER OF THE APPLICATION OF EAST)
CHEYENNE GAS STORAGE, LLC FOR AUTHORITY TO) Cause No.
UNITIZE CERTAIN PORTIONS OF THE D-2 SAND)
FORMATION IN THE PEETZ WEST FIELD, LOGAN) Docket No.
COUNTY, COLORADO FOR ENHANCED RECOVERY)
OPERATIONS

APPLICATION

East Cheyenne Gas Storage, LLC ("Applicant"), through its attorneys, Bjork Lindley Little PC, respectfully requests the Colorado Oil and Gas Conservation Commission ("Commission") issue an order authorizing the unitization for purposes of an enhanced recovery project involving certain portions of the D-2 Sand Formation in the Peetz West Field, Logan County, Colorado. In support of this application, Applicant states as follows:

1. Applicant is a limited liability company organized and existing under the laws of Delaware. It is authorized to do business in Colorado and is registered as an oil and gas operator with the Commission.

2. Applicant is a working interest owner, operates wells in lands included within the area sought to be unitized, and would operate the proposed enhanced recovery units and the gas storage project. Applicant is an interested party and has a right to bring this Application as required by Rules 401.b and 503.b(3).

3. Applicant proposes the Commission issue an order approving the unitization of the following lands in the D-2 Sand Formation in the existing Peetz West Field, Logan County, Colorado:

Township 11 North, Range 52 West, 6th P.M.
Section 5: Lot 4, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 6: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, Lots 3, 4, 5, 6, 7, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 7: N $\frac{1}{2}$ NE $\frac{1}{4}$, Lot 1, NE $\frac{1}{4}$ NW $\frac{1}{4}$

Township 12 North, Range 52 West, 6th P.M.
Section 31: Lot 2, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$, Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$

Township 12 North, Range 53 West, 6th P.M.
Section 36: SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$

(the "D-2 Sand Application Lands"). Reference Maps of the D-2 Sand Application Lands, nearby existing producing wells, nearby abandoned wells, and generalized stratigraphic columns are attached as Exhibits 1 through 5.

4. The Commission has not entered any prior orders relating to the Peetz West Field.

5. At the same time as this Application is being filed, Applicant is filing a separate application for an order authorizing the unitization of lands with a slightly different legal description for purposes of enhanced recovery in the J Sand Formation. The legal descriptions in the two units are slightly different due to differences in the reservoir boundaries in the two formations.

Jurisdiction and Authority

6. This Commission has jurisdiction over the enhanced recovery project and unit operations proposed by the Applicant. See, e.g., section 34-60-118, C.R.S. (2009); Rules 401 to 405.

7. Applicant proposes that the enhanced recovery project involving the D-2 Sand Application Lands be conducted in coordination with a substantially identical enhanced recovery project in the J-Sand Formation and also with a proposed gas storage operation in the D-2 and J Formations injecting, storing and withdrawing gas from interstate pipelines.

8. The Federal Energy Regulatory Commission ("FERC") has jurisdiction over the proposed gas storage operation and related components of the proposed interstate gas operation including, but not limited to, construction and operation of certain surface and underground facilities.

9. On December 18, 2009, Applicant filed an Application for Certificate of Public Convenience and Necessity asking FERC to approve the gas storage proposal and plan. FERC Dockets No. CP10-34-000, PF09-12-000 (available at using the eLibrary link).

10. Applicant also has entered into agreements with surface owners entitling it to operate the surface and gas storage operations.

11. On September 15, 2009, Applicant received a conditional use permit from Logan County, Colorado.

12. Applicant has been communicating and consulting with other state and federal agencies about various aspects of the proposed project. These agencies include, but are not limited to, the Colorado Department of Public Health and Environment and the Colorado Division of Wildlife. No agency has advised the Applicant that it may not proceed with the project as proposed.

Notice to Interested Persons

13. Upon information and belief, the names and last known addresses of interested parties as defined in Rule 507.b(1) and (3), the Colorado Department of Public Health and Environment, the Colorado Division of Wildlife and the local governmental designee for Logan County, Colorado are listed in Exhibit 6.

14. Applicant shall submit a Certificate of Service of this Application, including exhibits, confirming the mailing, first class postage prepaid, to the last known mailing address of the persons to be served as required by Rule 503.e.

15. No fluids will be injected as a part of the proposed enhanced recovery operations. Nor will the enhanced recovery operations involve the storage of liquid hydrocarbons in the D-2 Sand Application Lands. As such, the notice provisions of Rule 403 do not apply.

Proposed Plan of Operation

16. The proposed East Cheyenne Gas Storage Project will be located approximately 23 miles north of Sterling, Colorado. Applicant presently operates wells in the Peetz West Field that presently produce relatively small quantities of oil from the J Sand. The field was reportedly discovered and developed by British American Oil during the 1950s. Early in the development of the field the pressure from D-2 gas was recognized as an oil lifting agent and gas was produced to help lift the oil.

17. There are twenty-three existing or previously plugged and abandoned wells in the Peetz West Field. Applicant proposes to re-enter these wells, re-plug and abandon eighteen of them, and

convert five of the wells for use in enhanced recovery operations. Separate notices have been or will be filed with the Commission relating to these proposed well operations.

18. Applicant also will construct pipeline facilities linking the re-worked enhanced recovery wells to the interstate gas pipeline system. Gas produced with any oil will be separated during this initial phase at a surface facility, compressed and then re-injected. Water produced with hydrocarbons from the wells will be separated and re-injected in permitted disposal wells in the deeper O-Sand Formation. No underground sources of drinking water will be affected by the proposed activities or operations.

19. The D-2 Sand Application Lands are suitable for the operations proposed by Applicant and are consistent in size with the extent of contiguous lands in the Peetz West Field. It is more economic to use the remaining native gas in these formations as cushion gas for the proposed storage project as opposed to undertaking further operations aimed at recovering the remaining native gas.

20. Once FERC enters an order granting the Applicant authority to proceed with gas storage operations, Applicant will construct and transition operations to certain other more permanent injection and surface facilities that will be used in connection with both gas storage and enhanced recovery operations. Applicant's Plan is further described in Resource Report 1 General Project Description filed by the Applicant with FERC, Dockets No. CP10-34-000, PF09-12-000 (available at [using the eLibrary link](#)).

21. Separate Unit Agreements and Unit Operating Agreements are proposed for the D-2 Sand Application Lands and the J-Sand Application Lands. Copies of the D-2 Sand Unit Agreement and Unit Operating Agreement are attached as Exhibits 7 and 8 and are being presented at this time to all royalty and other interest owners, including other working interest owners, at the time this Application is being filed.

22. Applicant anticipates that, on a tract participation basis, at least 80 percent of the owners of production, or proceeds therefrom, and at least 80 percent of those required to pay the costs of unit

operation will approve these agreements by the time this matter comes before the Commission for hearing.

23. The proposed plan for enhanced recovery operations will promote the public interest, foster the responsible development and production of oil and gas, reasonably increase the ultimate net recovery of hydrocarbons from these lands in an economic manner, promote effective and efficient drainage of the D-2 Sand Formation, protect correlative rights, and prevent waste in a manner consistent with the protection of public health, safety and welfare, including the protection of the environment and wildlife resources.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice be given as required by law, and that upon such hearing this Commission enter an order consistent with the relief requested in this Application.

Respectfully submitted on March 23, 2010.

BJORK LINDLEY LITTLE PC

By: _____
David R. Little, Colo. Atty. No. 13340
1600 Stout Street, Suite 1400
Denver, CO 80202
Telephone: 303-892-1400

Applicant's Address:

East Cheyenne Gas Storage, LLC
10901 W. Toller Drive, Suite 200
Littleton, Colorado 80127

VERIFICATION

STATE OF COLORADO)
) ss.
CITY & COUNTY OF _____)

_____, of lawful age, being first duly sworn upon oath, deposes and says that he is Vice President – Project Origination and Development, East Cheyenne Gas Storage, LLC, that he has read the foregoing Application of East Cheyenne Gas Storage, LLC and that the matters therein contained are true to the best of his knowledge, information and belief.

East Cheyenne Gas Storage, LLC

By: _____
D. Scott Stapp

Subscribed and sworn to before me this _____ day of _____, 2010.

Witness my hand and official seal.

Notary Public

My commission expires: _____