

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

IN THE MATTER OF THE APPLICATION )  
OF ORR ENERGY LLC FOR AN ORDER )  
ESTABLISHING A SPACING UNIT AND )  
POOLING CERTAIN INTERESTS FOR )  
PRODUCTION OF OIL AND GAS FROM )  
THE J SAND, CODELL AND NIOBRARA )  
FORMATIONS UNDERLYING CERTAIN )  
LANDS IN WELD COUNTY, COLORADO )

CAUSE NO. 381

DOCKET NO. \_\_\_\_\_

**APPLICATION**

The Applicant, Orr Energy LLC ("Orr Energy"), by and through its undersigned counsel, respectfully petitions the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order establishing an 80-acre spacing unit for the J Sand formation, and pooling all interests therein for production from the J Sand, Codell and Niobrara formations from the AG #32-31D and AG #32-32D wells.

**BACKGROUND**

1. Orr Energy is a limited liability company duly authorized to conduct business in the State of Colorado.
2. Orr Energy owns oil and gas leasehold interests in the W1/2NE1/4 Section 32, Township 6 North, Range 66 West, 6th P.M., Weld County, Colorado ("Section 32" hereinafter).
3. On June 27, 1983, the Commission entered Order No. 381-1 which established 80-acre drilling and spacing units for production of oil, gas and associated hydrocarbons from the Codell formation underlying the NE1/4 of Section 32. By Order No 381-2, the Niobrara formation was included in the spaced area, by Order No 381-3 multiple completion and downhole commingling was authorized for production from the Codell and Niobrara formations in the spaced area, and by Order No 381-5 an additional well was allowed to be drilled in each 80-acre unit in the spaced area. The J Sand formation in the W1/2NE1/4 of Section 32 is unspaced.
4. Commission Rule 318A, provides that a well may be drilled and production commingled from formations, including the J Sand, Codell and Niobrara formations, when the bottom-hole location of such well is within a square with sides of 400 feet, in the center of each quarter section of the NE1/4 of Section 32.
5. Orr Energy has drilled the AG #32-31D and AG #32-32D wells at locations authorized by Rule 318A, to be produced from an 80-acre unit composed of the W1/2NE1/4 of Section 32.

## **SPACING REQUEST**

6. Colorado Revised Statute Section 34-60-116(4) authorizes the Commission to establish drilling and spacing units in order to prevent or assist in preventing waste, avoid the drilling of unnecessary wells, and/or protect correlative rights.

7. Commission Rule 318A authorizes Orr Energy to drill and produce the J Sand formation from the AG #32-31D and AG #32-32D wells which have bottom-hole locations in the center of the NW1/4NE1/4 and SW1/4NE1/4 of Section 32 respectively, and to commingle production from the J Sand formation with that from the Codell and Niobrara formations, which are spaced on an 80 acre unit composed of the W1/2NE1/4 of Section 32.

8. Previous testimony before the Commission has therefore established that an 80-acre drilling and spacing unit is not less than the maximum area than can be efficiently, economically and effectively drained by a well producing oil, gas and associated hydrocarbons from the J Sand, formation underlying said W1/2NE1/4 of Section 32.

9. Orr Energy requests that the Commission establish an 80-acre drilling and spacing unit consisting of the W1/2NE1/4 of Section 32, for production from the J Sand formation from the AG #32-31D and AG #32-32D wells.

10. The establishment of such a unit will prevent or assist in preventing waste by assuring that the AG #32-31D and AG #32-32D wells may be completed and produced without prejudice to the rights of other leasehold or mineral owners, and ensure that the pool as a whole may be efficiently and economically developed.

11. The establishment of such a spacing unit will protect the correlative rights of both leasehold owners and mineral owners in the W1/2NE1/4 of Section 32.

## **INVOLUNTARY POOLING REQUEST**

12. Colorado Revised Statute Section 34-60-116 authorizes the Commission to pool separately owned interests located within a drilling unit for the development and operation of the wells.

13. Orr Energy has furnished in writing the owners' share of drilling and completion costs to all other leasehold owners listed on Exhibit A, giving them the opportunity to participate in the AG #32-31D and AG #32-32D wells. J. Cleo Thompson and James Cleo Thompson Jr. , a partnership, has agreed to bear its proportional share of costs. The applicant is negotiating with Chaparral Resources and Murray J. Herring for assignment or farm-out of their leasehold interests, but to date these and the other leasehold interest owner have not agreed to bear their proportional share of costs.

14. An Order of the Commission pooling all interests in an 80-acre unit composed of the W1/2NE1/4 of Section 32 for production from the AG #32-31D and AG #32-32D wells is necessary in order to afford each owner of an interest in such unit the opportunity to recover and receive its

just and equitable share of the oil and/or gas from the common source of supply underlying said unit.

15. The granting of such an Order would not be prejudicial to the owners in the unit and would protect correlative rights.

16. The granting of such an Order would prevent or assist in preventing waste and would insure that the pool as a whole may be efficiently and economically developed.

### **REQUEST FOR HEARING AND ORDER**

WHEREFORE, Orr Energy prays that this matter be set for hearing on November 29 or 30, 2010, Notice of said Hearing be given as required by law, if no protests are timely received the matter be considered pursuant to Rule 511(b), and the Commission enter an Order

(A) spacing the J Sand formation on an 80-acre unit composed of the W1/2NE1/4 of Section 32; and

(B) pooling all interests in said unit for production from the AG #32-31D and AG #32-32D wells, from the J Sand, Codell and/or Niobrara formations, and that such pooling Order:

(1) be upon terms and conditions that are just and reasonable and that afford to the owner of each interest the opportunity to recover or receive, without unnecessary expense, his just and equitable share of oil and gas;

(2) provide that production obtained from the pooled unit be allocated to each owner therein on the basis of the proportion that the number of mineral acres held by each owner in the drilling unit bears to the total number of mineral acres within the drilling unit;

(3) provide that Orr Energy be allowed to recover from any non-consenting owner's share of production the penalty costs as provided in Colorado Revised Statute Section 34-60-116 (7); and

(4) require Orr Energy to provide each non-consenting interest owner in the unit with monthly statement of costs incurred together with the quantity of oil and gas produced and proceeds realized, pursuant to C.R.S. §34-60-116(8).

RESPECTFULLY SUBMITTED this 6<sup>th</sup> day of October, 2010.

**LOHF SHAIMAN JACOBS HYMAN & FEIGER, P.C.**

By: \_\_\_\_\_  
J. Michael Morgan, Esq.

**Orr Energy=s Address:**

1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

**EXHIBIT "A"**  
**TO**  
**APPLICATION OF ORR ENERGY LLC**

**Interested Parties in the W1/2NE1/4 of Section 32,  
Township 6 North, Range 66 West**

**Applicant:**

Orr Energy, LLC  
1700 Broadway, Suite 1170  
Denver, CO 80290

**Applicant's Attorney:**

J. Michael Morgan, Esq.  
Lohf Shaiman Jacobs Hyman & Feiger PC  
950 South Cherry Street, Suite 900  
Denver, CO 80246

**Local Government Designee:**

Bruce T. Barker, Esq.  
Weld County Commissioner Office  
P.O. Box 758  
Greeley, CO 80634

**Oil & Gas Mineral Owners:**

Orr Resources, LLC  
1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

Aggregate Industries-WCR, Inc.  
1707 Cole Blvd. #100  
Golden, CO 80401

Harrison Resources Corporation  
2725 Rocky Mountain Avenue, Suite 400  
Loveland, CO 80538

William H. Webster  
1850 26<sup>th</sup> Avenue  
Greeley, CO 80634

James E. Whitmore  
3337 S. Xanthia Court  
Denver, CO 80231

**Oil & Gas Lessees:**

Orr Energy, LLC  
1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

Chaparral Resources, Inc.  
Bolshaya Ordynka 1,  
Moscow, OT  
Russian Federation 115035

Murray J. Herring  
c/o Top Operating Company  
10881 W. Asbury Avenue, Suite 230  
Lakewood, CO 80227

Noble Energy, Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

J. Cleo Thompson and James Cleo  
Thompson, Jr., a partnership  
c/o Thompson Petroleum Corporation  
325 N. Saint Paul Street, Suite 4300  
Dallas, TX 75201

**VERIFICATION**

STATE OF COLORADO   )  
  )  
COUNTY OF WELD       )       **ss.**

The undersigned, of lawful age, having been first sworn upon her oath, deposes and states that:

1.       She is a Certified Professional Landman who maintains her office at 1711 61st Avenue, Suite 224, Greeley, Colorado 80634.
2.       She is a consultant for the Applicant, Orr Energy, LLC.
3.       She has read the within Application, is familiar with the facts set forth therein, and states that said facts are true and correct to the best of her knowledge and belief.

Further Affiant sayeth not.

\_\_\_\_\_  
Cynthia A. E. Zeren, CPL

Subscribed and sworn to before me this 6<sup>th</sup> day of October, 2010.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

## **CERTIFICATE OF MAILING**

I hereby certify that on the 6<sup>th</sup> day of October, 2010, a true and correct copy of the foregoing was mailed via U.S. First-Class Mail, postage prepaid, to the following:

James E. Whitmore  
3337 S. Xanthia Court  
Denver, CO 80231

William H. Webster  
1850 26<sup>th</sup> Avenue  
Greeley, CO 80634

Noble Energy, Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

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Greeley, CO 80634

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Tonja L. Hoisington, Paralegal