

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

IN THE MATTER OF THE APPLICATION OF  
INVESTMENT EQUIPMENT, LLC FOR AN ORDER  
ESTABLISHING AN ENHANCED RECOVERY UNIT,  
AUTHORIZING ASSOCIATED ENHANCED RECOVERY  
OPERATIONS, AND REQUESTING AN AQUIFER  
EXEMPTION IN AND TO THE D SAND FORMATION OF  
CERTAIN DESCRIBED LANDS IN LOGAN COUNTY,  
COLORADO

**CAUSE NO. 541**

**DOCKET NO. 1207-UP-178**

**AMENDED APPLICATION**

COMES NOW, Investment Equipment, LLC ("Applicant") by and through its counsel Beatty & Wozniak, P.C., and submits its application to the Colorado Oil and Gas Conservation Commission ("Commission") requesting an order for approving an enhanced recovery unit for the purposes of enhanced recovery and unit operations of the D Sand Formation and for an aquifer exemption in certain portions of the Moose Field, Logan County, Colorado. In support of this application, the Applicant states as follows:

1. Applicant is a Colorado limited liability company, whose address is 17509 Road 14, Fort Morgan, Colorado 80701, is authorized to conduct business in Colorado, and is a registered operator with the Commission.

**ENHANCED RECOVERY UNIT LANDS AND WELLS**

2. Applicant submits this Application under C.R.S. §34-60-118 and Commission Rules 401.b and 503.b.3.

3. Applicant requests that the Commission issue an order approving an enhanced recovery unit for the purposes of enhanced recovery and unit operations of the D Sand Formation for the following lands:

Township 6 North, Range 52 West, 6<sup>th</sup> P.M.

Section 9: **E/2SE<sup>1</sup>/<sub>4</sub>**

Section 10: **W<sup>1</sup>/<sub>2</sub>SE<sup>1</sup>/<sub>4</sub>, S<sup>1</sup>/<sub>2</sub>NW<sup>1</sup>/<sub>4</sub>, SW<sup>1</sup>/<sub>4</sub>**

**400.0 acres, more or less, Logan County, Colorado**  
(the "Application Lands").

4. Applicant is a working interest owner in the D Sand Formation and operates three (3) active wells on Application Lands. The three (3) active wells are defined below:

- a) Colorado 1-10 (API 05-075-09264)  
SW $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 10, Township 6 North, Range 52 West
- b) Colorado 2-10 (API 05-075-09279)  
NE $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 10, Township 6 North, Range 52 West
- c) Colorado 4-10 (API 05-075-09290)  
NW $\frac{1}{4}$ SW $\frac{1}{4}$ , Section 10, Township 6 North, Range 52 West

5. Applicant is the owner of and/or operator for the mineral interests under the Application Lands.

6. Applicant is also the operator under an existing Communitization Agreement ("CA") affecting State Lands and Minerals and such CA includes the Application Lands. The CA covers the following lands:

Township 6 North, Range 52 West, 6<sup>th</sup> P.M.

Section 9: E $\frac{1}{2}$ SE $\frac{1}{4}$  (State Lease 8010.4)

Section 10: W $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$  (State Lease 91/8067-S)

Section 16: ALL (State Lease 8011.4)

Logan County, Colorado (the "Communitized Lands").

### **BACKGROUND, PLAN OF DEVELOPMENT AND EXHIBITS**

7. The Moose Field is a 1993 D Sand Formation Discovery. There are three (3) producing Moose Field wells on the Application Lands, as listed above, and two (2) are currently shut in due to lack of reservoir pressure. There are currently no D Sand Formation water injection wells in the Moose Field. Applicant's plan of development intends to convert the Colorado 2-10 producer, which is currently shut in, to a water injection well. The Colorado 4-10 and the Colorado 1-10 will remain producing wells from the D Sand Formation. Water that is currently pitted at the Moose Field will be re-injected into the D Sand Formation. The Commission has previously authorized the operation of all of the three (3) wells on a well by well basis and the Communitization Agreement was executed to effectuate the proper development of oil and gas resources.

8. The unitized formation is the subsurface portion of the Application Lands described as the stratigraphic equivalent of the D Sand formation, as the same is encountered between 4520' feet and 4550' feet as found in the State of Colorado 2-10, CO Api Colorado API 07509279, well located in the NE $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 10, Township 6 North, Range 52 West, Logan County, Colorado.

9. Pursuant to C.R.S. §34-60-118 and Commission Rules 401.b, Applicant hereby submits the following exhibits in support of this Application:

A. EXHIBIT A is a reference map identifying the Application Lands, and the status of existing wells both within and near the Application Lands. Exhibit A also shows the proposed injection well location (Colorado 2-10), and a one quarter mile radius around the subject injection well. Exhibit A is submitted pursuant to Rule 401.b.1. None of the wells penetrating the proposed injection zone within one quarter mile of each injection well require remedial action within the scope of Rule 401.b.1.

B. EXHIBIT B is a reference map and list identifying the owners of surface lands within one quarter mile of the proposed injection well.

C. EXHIBIT C is a reference map and list of the owners of working interests, royalty interests and overriding royalty interests within each proposed Allocation Unit within the Application Lands.

D. EXHIBIT D is a geological map representing the net thickness of the D Sand Formation underlying the Application lands.

E. EXHIBIT E is a geological map representing the structure below mean sea level of the D Sand Formation underlying the Application lands.

F. EXHIBIT F includes wellbore diagrams of the cased hole wells in the Application Lands, as required by Rule 401.b.4.D. Current bottom hole pressure is less than 20 psi, and anticipated injection pressures are less than 100 psi. A water analysis has been submitted and included in Exhibit G as per Rule 401.b.4.E. No compatibility issues between exiting water and injection water are anticipated since injection source water will be from the D Sand Formation. The Applicant does not propose a stimulation program within the meaning of Rule 401.b.4.F. The Applicant is the proposed operator of the enhanced recovery unit and those persons notified of this Application are described herein.

G. EXHIBIT G is an independent, third party description of the enhanced recovery operation for which authorization is requested as required by Rule 401.b.2; also independently verifying economic recovery of hydrocarbon provided enhanced recovery efforts that demonstrate the unitization effort will prevent waste, protect correlative rights and promote the efficient and effective drainage of oil, gas and associated hydrocarbons from the D Sand Formation underlying the Application Lands.

H. EXHIBIT H is a copy of the form of proposed unit agreement and is submitted pursuant to Rule 401.b.3.

I. EXHIBIT I is a copy of the form of proposed unit operating agreement and is submitted pursuant to Rule 401.b.3.

J. EXHIBIT J is a copy of the resistivity log from the State of Colorado 2-10, Colorado API 07509279, well and is submitted pursuant to Rule 401.b.(4)(C).

K. EXHIBIT K is an Affidavit of Mailing verifying that this Application was mailed to those parties listed on Exhibit 1 on or before May 18, 2012. The parties are D Sand Formation owners of record within the Application Lands, or such owners within one-quarter ( $\frac{1}{4}$ ) mile of the proposed injection/intake well or wells.

10. No later than seven days after the Application is filed, the Applicant shall submit to the Commission a certificate of service demonstrating that it has served a copy of this Application via United States mail, first class postage prepaid, on those persons not listed in Exhibit B or Exhibit C who nonetheless own an interest in the mineral estate within one half mile of the Application Lands to be unitized as required by Rules 503.e. and 507.b(3).

#### Request for Approval of Enhanced Recovery Unit

11. The water injected into the D Sand Formation in the Application Lands will help promote production from the presently producing D Sand Formation wells. Without water injection, it is uncertain whether the Moose Field will remain economic to produce. Injection is reasonably necessary to increase the ultimate recovery of oil, gas and associated hydrocarbons. Records available to the Applicant do not show the existence of any compatibility or other environmental issues with water as it concerns the D Sand Formation. For purposes of Rule 401.b.(4)(A), the Graneros Shale is the formation capable of limiting the movement of any fluids to be injected. For purposes of Rule 401.b.(4)(B), the Fox Hills aquifer, at a depth of 50' below surface, is the only underground drinking source that is subject to the proposed injection activity.

12. Recovery of oil exceeds the estimated additional cost incident to conducting such operations. The operation of the proposed enhanced recovery unit will help prevent waste, protect correlative rights and be conducted in a manner consistent with the protection of public health, safety, including the protection of the environment and wildlife resources. As a result, approval of this Application will help promote the statutory purposes of the Colorado Oil and Gas Conservation Act and, more specifically, § 34-60-118(3), Colo. Rev. Stat. (2011).

13. The forms of proposed unit agreement and unit operating agreement attached as Exhibits H and I include terms that are just and reasonable and fulfill the purposes and requirements outlined in § 34-60-118, Colo. Rev. Stat. (2011) and, more specifically, §§ 34-60-118(4), Colo. Rev. Stat. (2011).

14. By the time of the July 9, 2012 hearing, the Applicant will have approved in writing, the formation of the proposed unit for greater than eighty percent of the working interest. The Applicant is currently undertaking steps to obtain the approval of the owners of at least eighty percent of the production or proceeds therefrom to be credited to interests that are free of costs, including royalties and overriding royalty interests. The Applicant proposes that the unit become effective upon the final approval of the Commission consistent with § 34-60-118(5), Colo. Rev. Stat. (2011).

15. Investment Equipment, LLC, the present operator of wells and other facilities associated with production within the Moose Field, shall be selected by the working interest owners to be the operator of the proposed enhanced recovery unit.

#### Request for Aquifer Exemption

16. Pursuant to Commission Rule 324B, Applicant requests the underground formation subject to this Application be designed an exempt aquifer as it does not now serve as a source of drinking water and is a hydrocarbon producing formation as evidenced by the water analysis submitted in Exhibit F and Exhibit G.

#### Conclusion and Request for Relief

In order to prevent waste, protect correlative rights and promote the efficient and effective drainage of oil, gas and associated hydrocarbons from the D Sand Formation underlying the Application Lands, the Commission should:

A. Approve this Application and issue an order approving the unitization for purposes of enhanced recovery and unit operations of the D Sand Formation for the Application Lands within the Moose Field in Logan County, Colorado;

B. Issue an aquifer exemption for the formation into which Applicant proposes injecting water for the purposes of enhanced recovery of hydrocarbons; and

C. Providing for such further findings and orders as the Commission may deem proper and advisable.

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 its order consistent with Applicant's proposals as set forth above.

Dated this \_\_\_\_ day of **September**, 2012.

Respectfully submitted,

INVESTMENT EQUIPMENT LLC

By: \_\_\_\_\_

Jamie L. Jost  
Elizabeth Y. Gallaway  
Beatty & Wozniak, P.C.  
Attorneys for Applicant  
216 16<sup>th</sup> Street, Suite 1100  
Denver, Colorado 80202

Applicant's Address:  
Investment Equipment LLC  
ATTN: Theodore Pagano  
17509 Road 14  
Fort Morgan, Colorado 80701

VERIFICATION

STATE OF COLORADO                    )  
  ) ss.  
CITY AND COUNTY OF DENVER)

Theodore Pagano, Engineering Consultant, Agent for Investment Equipment LLC, upon oath deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information, and belief.

\_\_\_\_\_  
Theodore Pagano  
Engineering Consultant and Agent to Investment  
Equipment LLC

Subscribed and sworn to before this \_\_\_\_ day of **September**, 2012.

Witness my hand and official seal.

My commission expires:

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

[SEAL]

**EXHIBIT 1  
INTERESTED PARTIES**

Investment Equipment LLC  
17509 Road 14  
Ft. Morgan, CO 80701

Set Five LLC  
P.O. Box 9911  
Denver, CO 80209

Arrowhead Minerals LLC  
100 N. 27th St., Suite 320  
Billings, MT 59101

Thomas Oil and Gas LLC  
12167 S. Talkid Court  
Parker, CO 80138

Colorado Board of Land Commissioners  
1127 Sherman St., Suite 300  
Denver, CO 80203

Jane A. Shapiro  
7387 E. Onyx Ct., Suite 401  
Scottsdale, AZ 85258

Robert C. Nolan, Jr.  
P.O. Box 2861  
Tuscaloosa, AL 35403-2861

Peter Shapiro  
4305 Darley Ave.  
Boulder, CO 80305

Richard J. Shapiro  
955 Front Range Rd.  
Littleton, CO 80120

Robert L. Brown  
13904 Wellsburg Court  
Edmond, OK 73013

Sam Hemby  
148 Private Road 8235  
Kennedy, TX 77819

WES Lands  
201 Thelma Drive, Suite 412  
Casper, WY 82609

Yates Petroleum  
730 17th St # 320  
Denver, CO 80202

Kathy and Gene Miller  
17333 Highway 6  
Atwood, CO 80722

Brad Hofmeister  
Logan County Assessor's Office  
315 Main Street  
Sterling, CO 80751

Kim Kaal  
Energy Liaison  
Colorado Division of Wildlife  
711 Independent Ave.  
Grand Junction, CO 81505

Kent Kuster  
Colorado Department of  
Public Health & Environment  
4300 Cherry Creek Drive South  
Denver, CO 80246-1530

**R-Bar Cattle Company  
11874 County Road 370  
Sterling, CO 80751**

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## AFFIDAVIT OF MAILING

STATE OF COLORADO )  
 )ss.  
CITY AND COUNTY OF DENVER )

Jamie L. Jost of lawful age, and being first duly sworn upon her oath, states and declares:

That she is the attorney for Investment Equipment LLC, that on or before **September** \_\_, 2012, she caused a copy of the attached **Amended** Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on EXHIBIT 1 to the Application.

**Jamie L. Jost**

Subscribed and sworn to before me on **September** \_\_\_\_, 2012.

Witness my hand and official seal.

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

Notary Public