

RECORD OF PROCEEDINGS

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January 9, 2006

The Oil and Gas Conservation Commission met on January 9, at 9:07 a.m. in Suite 801, The Chancery Building, 1120 Lincoln Street Denver, Colorado, for a hearing in Cause Nos. 1V (3 matters), 112 (2 matters), 191 (5 matters), 477, 510, and 520.

Those present were:

Peter Mueller	Chair
Brian Cree	Vice Chair
John Ashby	Commissioner
Kimberlee Gerhardt	Commissioner
Mike Klish	Commissioner
Samuel Potter	Commissioner
Tom Reagan	Commissioner
Carol Harmon	Assistant Attorney General
Brian Macke	Director
Patricia Beaver	Hearings Manager

Executive Director’s Report: Russ George regrets his inability to be present today, so there is no report from the Executive Director’s office.

Director’s Report: The COGCC set another record this year by approving 4,363 Applications for Permits-to-Drill (“APDs”). Garfield County increased its 2005 APDs by 94% from 2004 with 1,508 APDs issued in 2005, and 90% of these are for directional drilling. Vice Chair Cree suggested going to Yuma County this year for a hearing based on the number of APDs approved in the county in 2005.

Northwest Colorado: The next Northwest Oil and Gas Forum will be held March 9, 2006, from 10:00 a.m. until 2:00 p.m. Mamm Creek continued to be sampled by EnCana and no benzene, ethylbenzene, or xylenes (BTEX) has been detected, but bubbling is still observed and the aerial extent from the gas seep is shrinking.

URS is in the final stages of the Hydrogeological Characterization Project and the draft report should be available this week.

Southwest Colorado: Efforts are underway at the Bondad explosion site to obtain a lease so that work can be continued. The COGCC has amended our contract with LTE to allow for continued soil gas monitoring, operation and maintenance of methane detection and alarm systems. We hope to have a donated rig from Williams Production so that work on the Bryce 1-X Well can begin as soon as possible. Petrogulf has purchased the Yoakum property, and provide Mr. Yoakum with a monthly stipend.

The Department of Natural Resources (“DNR”) has finished the coal bed methane stream depletion assessment study with the final report due the end of January. Results indicate that coal bed methane has a minor impact on stream depletion.

The next Gas and Oil Regulatory Team (“GORT”) meeting is scheduled for March 9, 2006.

Southeast Colorado: The environmental staff has responded to several landowner complaints in the Raton Basin and a Notice of Alleged Violation was issued in Kiowa County for an oil spill.

Staff Organization: Director Macke introduced Dave Andrews as the new Petroleum Engineer taking Dave Shelton’s previous position in the field. Mr. Andrews brings pipeline experience to this position. The Field Inspector position for Rifle is still vacant and applications are currently being accepted. Alex Fischer has joined COGCC as a temporary Engineer/Environmental Technician and brings twenty (20) years experience in environmental consulting to the agency.

Public Outreach: Brian Macke will provide an update on oil and gas development in Colorado and COGCC activities to the members of Club 20 during their Annual Denver Capitol Trip on January 18, 2006.

As required by Senate Bill 89-181, the COGCC environmental staff has submitted the COGCC’s annual written report to the Water Quality Control Commission (“WQCC”) and Water Quality Control Division

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("WQCD"). A summary of the report was presented to the WQCC at its December 12, 2005 hearing. The report has been provided to the COGCC Commissioners and is available on our website library.

Emergency FY05-06 supplemental budget requests to address the Bondad explosion were described. Jan Dixon and Ryan Brunner have been hired as temporary permit technicians. The position vacated by Elaine Winick has been closed and candidates for the position will test soon. The records administrators, which are contractors, have been working on an imaging project.

We are seeking nominations for our 10th year of Outstanding Oil and Gas Operations Awards.

COGCC staff will be at the Water Quality Control Commission ("WQCC") this morning to participate in the hearing on stormwater regulations if needed. The WQCD modified its proposal to maintain its regulations as they currently are promulgated, however, our staff will move forward with its own stormwater inspections.

There have been a total of thirty-four (34) requests for onsite inspections since the inception of the policy with no apparent change even with the adoption of new language at last month's hearing, which expanded the number of requests that could be made.

The bradenhead and bottomhole pressure test data is being entered into the Colorado Oil and Gas Information System, new forms for the implementation of survey rules have been modified and the system has been changed to NAD 1983. Hearing and environmental files have been indexed with almost all of the environmental files completed. The application for submissions of digital well logs to the COGCC has been completed and the delinquent operations report is being created and should be available within a few months.

A variance under Rule 502.b. was granted to Kaiser-Francis Oil Company for Rule 1004.a. at the Downing 22-25 plugged and abandoned wellsite and tank battery located in the SE¼ NW¼ of Section 25, Township 3 South, Range 59 West, 6th P.M. The wellsite and tank battery areas will not be re-contoured and the access road will not be reclaimed. The landowner wants to use the level area of the tank battery and the associated access road in ranching operations.

Bill Barrett Corporation ("BBC") has asked to be able to use two (2) rigs in the moratorium area. Commissioner Ashby has reviewed the data provided by BBC and believes it will be safe to allow a second rig. Commissioner Ashby would like to see the results of the mud weight used in the area.

The COGCC is still negotiating with The Chancery Building to renew our lease and we need to look at other buildings in the area as part of the renewal process.

The COGCC, along with the DMG and CGS, has received a letter sent to Executive Director George regarding an upcoming audit.

A discussion was held on where to hold the February hearing in light of EnCana's request to lift the moratorium. Erika Enger, attorney for EnCana described why EnCana would like to have the hearing in February. William Keefe, attorney for BBC, stated that his client plans to intervene on the EnCana application.

Commissioner Ashby believes that the application should be heard in February. Commissioner Reagan stated that it is difficult to get away for three (3) day hearings. Commissioner Potter mentioned the Commission has committed to being in Garfield County for the moratorium hearing.

Assistant Attorney General Harmon suggested that the public meeting to discuss the Hydrogeological Characterization Project could be combined with a presentation by staff to discuss how drilling has occurred by BBC and others in light of the new procedures required in the area.

Director Macke and Tricia Beaver will follow up with Garfield County to get its thoughts on holding a public meeting rather than a hearing. Director Macke described a conversation with Don DeFord and Larry McCown regarding holding the hearing on EnCana's application in February.

Commissioner Ashby suggested that EnCana's application be bifurcated so that technical information could be heard in February and public health, safety and welfare and environmental issues could be

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heard in Garfield County in March. All Commissioners agreed and will travel out on Sunday afternoon to start early on Monday March 20th.

Report from Assistant Attorney General: AAG Harmon provided a confidential litigation memo to report on the status of all legal matters currently pending.

Prior to considering the Consent Agenda, the Chair asked if anyone was present in the Cause No. 477 matter. No one was present and none of the Commissioners had any conflicts. Commissioner Ashby would like to see P/V analysis in addition to decline curve analysis for increased density applications in the Piceance Basin. A motion to approve the consent agenda was made by Commissioner Klish and seconded by Commissioner Reagan. The consent agenda was unanimously approved as follows:

Cause No. 477, Docket No. 0512-UP-06, request for an order to approve the Harker Ranch Morrow Sand Unit Agreement and the Harker Ranch Morrow Sand Unit Operating Agreement as a plan for unitized operations and development for the Morrow Sand Formation and providing for the pooling of all interests within various lands in Township 13 South, Range 43 West, 6th P.M., for the production of gas and associated hydrocarbons from the Morrow Sand Formation.

Cause No. 191, Docket No. 0601-SP-03, request for an order to establish a 320-acre drilling and spacing unit consisting of the S½ of Section 13 and a 260-acre drilling and spacing unit consisting of the S½ of Section 18, both in Township 6 South, Range 93 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 191, Docket No. 0601-SP-04, request for an order to establish 320-acre drilling and spacing units consisting of the N½ of Sections 13 & 14, Township 6 South, Range 93 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 191, Docket No. 0601-SP-05, request for an order to establish 320-acre drilling and spacing units consisting of the N½ and S½ of Section 11, Township 6 South, Range 93 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 191, Docket No. 0601-SP-06, request for an order to establish a 320-acre drilling and spacing unit consisting of the N½ of Section 32, Township 5 South, Range 92 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 191, Docket No. 0601-AW-02, request for an order to allow additional wells to be drilled on certain lands in Section 16, Township 6 South, Range 92 West, 6th P.M., the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Cause No. 520, Docket No. 0601-UP-01, request to pool all non-consenting owners in the 160-acre drilling and spacing unit consisting of the NE¼ of Section 4, Township 29 South, Range 69 West, 6th P.M. for the Harry Willis No. 1 Well, for the development and operation of the Dakota/Entrada Formations.

Cause No. 112, Docket No. 0601-SP-01, request for an order to allow a horizontal well to be drilled as a second well in the 320-acre drilling and spacing unit consisting of the E½ of Section 11, Township 32 North, Range 6 West, N.M.P.M., with a surface location in the NE¼ of Section 11, 1263 feet from the north line and 851 feet from the east line, possibly resulting in production from two (2) wells in the NE½ of Section 11. for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Cause No. 112, Docket No. 0601-AW-01, request for an order to allow two additional wells to be optionally drilled for a total of four wells, in the 320-acre drilling and spacing units in certain lands in Township 32 North, Ranges 6 & 7 West, N.M.P.M. and in Township 33 North, Range 7 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

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Cause No. 1V, Docket No. 0601-OV-01, request to approve an Administrative Order by Consent finding United States Exploration, Inc. in violation of Rule 303., failure to obtain an approved Application for Permit-to-Drill prior to drilling the Perkins #42-5 Well located in the SE¼ NE¼ of Section 5, Township 2 North Range 64 West, 6th P.M.

Cause No. 1V, Docket No. 0601-OV-02, request to approve an Administrative Order by Consent finding United States Exploration, Inc. in violation of Rule 317.i and Form 2 Permit Conditions of Approval for failure to provide 200' of 800 psi cement above the Sussex Formation for the B & M #12-5 Well located in the SW¼ NW¼ of Section 5, Township 2 North, Range 65 West, 6th P.M.

Commissioner Comments: Commissioner Ashby asked for additional information to be included on certain COGCC-generated graphs such as cumulative plugged and abandoned wells versus time and gas prices and/or oil prices. Commissioner Reagan would like to embark upon a public relations improvement campaign to try to get the media to do a better job more accurately portraying the COGCC. Commissioner Potter agrees with Commissioner Reagan based on the articles he has seen. Commissioner Gerhardt stated that it was good to see all the folks here from La Plata County. Chair Mueller was glad to see all the good work done on the Bryce 1-X Well by Director Macke and Debbie Baldwin.

Audience Comments: Greg Schnacke, COGA, recognized that Senator Isgar is at today's hearing. He reported that Colorado's State Geologist has indicated that oil and gas revenue is bypassing agriculture in revenue in Colorado's business community. COGA offered to help out in getting a change to the Rifle field inspector position so that a person can be hired. COGA and the farm groups have been working together on issues such as split estates. Oil and gas industry taxes will be another issue during the 2006 legislative session. Mr. Schnacke reminded the Commission that the performance audit done in 2001 was helpful to the COGCC.

Discussion on the 3M Study: La Plata County Commissioners, Sheryl Ayers and Wally White were present to ask the COGCC to re-institute the 3M study. Mike Matheson, La Plata County Oil and Gas Technical Advisor passed out maps showing the increased density applications and their proximity to the Fruitland outcrop. Chair White has spoken with the Southern Ute Indian Tribe ("SUIT") Vice Chair who understands La Plata County is not trying to regulate on tribal lands. Sheryl Ayers stated that in areas near the outcrop where no seeps are shown on the map it does not mean that no seeps exist.

Chair Mueller believes seeps have always been in La Plata County, and asked whether the Commission should look at how mitigation should occur or what caused the seeps. He would like to prioritize one of these issues.

Sheryl Ayers would like more science to help in determining whether or not more wells should be drilled.

Wally White encouraged the COGCC to form a non-biased team to address these issues in light of the increased growth in the county.

Mike Matheson believes the focus should be on mitigation and believes there is a need to discuss causation to assist in mitigation techniques along the outcrop.

Commissioner Reagan believes that mitigation is the way the COGCC should spend its time and money since the seeps have been present long before the oil and gas activity. Commissioner Gerhardt asked if La Plata County was asking for consultants to be hired to do the work.

Sheryl Ayers stated that La Plata County was being consistent in asking for the study from the letters sent to the Commission in early 2004.

Chair Mueller would like to see this matter moved forward with an attempt to determine mediation activities based on existing data.

Senator Isgar voiced his concern about what may happen in the short term in areas where produced water is not being removed fast enough. He is also concerned about seeps being accelerated with increased well density.

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Chair Mueller believes the first step is to work with the operators to determine mitigation strategies in areas where seeps are occurring. Vice Chair Cree had questions regarding who will form the committee, who will be on the committee, what are the committee's objectives, how is the committee and its objectives funded, and what is COGCC's involvement.

Wally White believes the COGCC is in the best position to lead this committee.

Mike Wozniak, speaking on behalf of BP America and XTO, stated that BP feels like it has spent over millions of dollars on studying the seep issue and would prefer to determine how seeps have been mitigated in various areas. BP is willing to continue efforts preferably through mitigation and the Tribe has indicated it feels it has the expertise to be involved in these matters. LT Environmental is also coming up with third party ideas.

Chair Mueller believes mitigation needs to continue even if there is no increased drilling in the county.

Evan Hanson, representing the La Plata County Energy Council, would like to explore various options for mitigation, would like to see the COGCC lead this effort rather than any company, and suggested a brainstorming session.

Wally White stated that Archuleta County shares La Plata County's concerns and one of its Commissioners had wanted to attend today.

Butch Knowlton, La Plata County Office of Emergency Management, stated that in November of 1993 COGCC came to La Plata County to let them know there was a seep problem and he believes it is invaluable to bring all the folks together with 3M members to try to find mitigation measures. He also values the Tribe's work on mitigation efforts and thinks the time has come to bring everyone back together to address these issues.

Commissioner Ashby believes mitigation is likely to occur in the buffer zone.

Chair Mueller stated he could see the need to get the players together for more discussion and he made a commitment to come up with several recommendations for moving forward. He asked Director Macke to take this on along with the industry representatives, the county and all others interested in being involved.

Cause No. 143, Docket No. 0601-SP-02, request for an order to vacate certain lands in Township 7 South, Range 91 West, 6th P.M. from the provisions of Cause No. 143 and place the lands under the Rules and Regulations of the Commission. The application has been withdrawn and the hearing cancelled.

Cause No. 112, Docket No. 0601-UP-02, request for an order to pool the interests of SG Interests, Inc. and Red Willow Production Company in the 320-acre drilling and spacing unit consisting of the W½ of Section 4, Township 32 North, Range 11 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Pictured Cliffs/Mesaverde Formation. The application has been continued to February hearing.

Cause No. 191, Docket No. 0601-SP-07, request for an order to establish a 320-acre drilling and spacing unit consisting of the S½ of Section 32, Township 5 South, Range 92 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formations. The application has been continued to February hearing.

A hearing was held on the application from Piceance Gas Resources ("PGR") and Petroleum Development Corporation ("PDC") in Cause No. 510, Docket No. 0512-SP-12, request to establish 320-acre drilling and spacing units, to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for certain lands in Townships 5 and 6 South, Ranges 96 and 97 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

In his opening statement, Michael Wozniak, attorney for PGR and PDC, stated that the application was on the Commission's Consent Agenda this morning and was approved to establish 320 acre drilling and spacing units with 10-acre density and setbacks either 100 or 200 feet from units or lease boundaries

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except for the three (3) wells operated by Jelco. The issue is that Jelco does not want wells to be drilled 100 or 200 feet from its three (3) wellbores. Williams has an order allowing them to be 200 feet from Jelco's lease lines and he believes these wells should be treated the same as the 500 or so wells that have been drilled in the area. PGR and PDC are willing to remain 400 feet from the Jelco wellbores.

In her opening statement, Gretchen VanderWerf, attorney for Jelco, stated that Jelco's protest is narrow and limited. Jelco does not own any acreage surrounding its wells, rather that acreage is owned by PDC. Jelco is concerned about a reasonable setback to protect its correlative rights and how far PDC should be required to stay from Jelco's wells. Jelco thinks the distance of 400 feet is not sufficient. Jelco would like the current setbacks of 1200 feet for the Sections 12 and 22 wells and the setback of 800 feet for the well in Section 14 to remain in place until the Jelco wells are plugged and abandoned.

Chair Mueller described a potential conflict in that he is involved with a property in North Dakota that PDC may be considering purchasing. After several questions by the Commission, it is not believed that a conflict exists.

Rick Gallegos, landman for Orion, presented testimony and exhibits to show that 1200 foot setbacks would cause a loss of 19 locations. He testified that Oxy and Williams would also be affected if a 1200 foot setback was required in Section 14.

Carl Dietz, geologist for Orion, presented testimony and exhibits describing the geology in the area. He testified that the depositional environmental of the Williams Fork Formation is such that sands will be bypassed if 1200 foot setbacks are maintained, resulting in the waste of gas.

Adam Sayers, engineer for Orion, presented testimony and exhibits to show that natural fractures are in an east-west direction, and there is no performance difference between wells drilled on 10-acres or 20-acres versus 40-acre basis. He testified that fracing lengths have an effective drainage of no more that 200 feet with 4.2 acres calculated as being drained in Section 14, and 5.2 acres calculated as being drained by 2 of Jelco's wells in Section 22. Mr. Sayers believes that a 400 foot setback is more than adequate to protect Jelco and believes a 200 foot setback is sufficient to protect Jelco's correlative rights.

David Lee, financial officer for Jelco testified that Jelco acquired the right from PDC at a cost of \$750,000.00 to drill wells in December 2000 and began drilling in the summer of 2001. He testified that Jelco has the surface rights and access rights to its three (3) wells and believes that it has the right to perform additional work on the wells. Mr Lee stated that if 400 foot setbacks are approved, Jelco would likely have to reevaluate doing additional work on these wells and he believes Jelco would be harmed if 400 foot setbacks were approved. Mr. Lee asked the Commission to keep the setbacks as they are until all the gas can be produced from Jelco's three (3) wells.

Jack McCartney, consulting engineer for Jelco, presented testimony and exhibits to show the performance of Jelco's wells and average drainage calculations of the Jelco wells. He testified that he believes the existing setbacks of 800 feet or 1200 feet would protect Jelco's correlative rights.

In closing, Mr. Wozniak stated that public health, safety, welfare and the environment need to be protected, waste needs to be prevented, and correlative rights need to be protected. He believes changing setbacks will result in wasted reserves and that all wells in the area should be treated equally. He stated that nineteen percent (19%) of the original gas in place is recovered on 40 acre density. He does not believe Jelco's counter proposal will prevent waste.

In closing, Ms. VanderWerf stated that this is a unique situation with Jelco only owning wellbore rights. She stated that her client is trying to determine how to protect correlative rights while preventing waste. She believes that once Jelco's wells have been completely produced then PGR and PDC should come back to the Commission for increasing the setbacks.

After deliberation, a motion was made by Commissioner Reagan to approve the amended application with 400 foot setbacks from Jelco wells, seconded by Commissioner Ashby and approved unanimously.

Vice Chair Cree left the hearing at 5:25 p.m.

A hearing was held in Cause No. 1V, Docket No. 0601-OV-03, for an Order Finding Violation against Sierra Oil and Gas Company and its entities to comply with Rule 1004.a., failure to reclaim the wellsite for

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the Binkley #2 Well located in the NE¼ SW¼ of Section 8, Township 32 North, Range 3 East, N.M.P.M. and Rule 319.b., failure to plug and abandon a well shut-in for 6 months for the Mizar Schick #1 Well located in the NE¼ SE¼ of Section 32, Township 36 North, Range 1 West N.M.P.M.

Dave Shelton, COGCC Engineer, presented testimony and exhibits in support of a recommended order, testified that as part of the bond file clean up, two wells operated by Sierra were found and there appears to be no operator for these wells.

A motion was made to approve the recommended Order Finding Violation by Commissioner Reagan, seconded by Commissioner Ashby and approved unanimously.

The hearing adjourned at 5:47 p.m.

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The Secretary was therefore authorized to issue the following orders:

Order No. 112-183, Ignacio-Blanco Field, Archuleta County: Approves the request for an order to allow a horizontal well to be drilled as a second well in the 320-acre drilling and spacing unit consisting of the E½ of Section 11, Township 32 North, Range 6 West, N.M.P.M., with a surface location in the NE¼ of Section 11, 1263 feet from the north line and 851 feet from the east line, possibly resulting in production from two (2) wells in the NE½ of Section 11. for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Order No. 112-185, Ignacio-Blanco Field, La Plata County: Approves the request for an order to allow two additional wells to be optionally drilled, for a total of four wells, in the 320-acre drilling and spacing units in certain lands in Township 32 North, Ranges 6 and 7 West, N.M.P.M. and in Township 33 North, Range 7 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams.

Order No. 191-13, Mamm Creek Field, Garfield County: Approves the request for an order to establish a 320-acre drilling and spacing unit consisting of the S½ of Section 13 and a 260-acre drilling and spacing unit consisting of the S½ of Section 18, both in Township 6 South, Range 93 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 191-14, Mamm Creek Field, Garfield County: Approves the request for an order to establish 320-acre drilling and spacing units consisting of the N½ of Sections 13 and 14, Township 6 South, Range 93 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 191-15, Mamm Creek Field, Garfield County: Approves the request for an order to establish 320-acre drilling and spacing units consisting of the N½ and S½ of Section 11, Township 6 South, Range 93 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 191-16, Mamm Creek Field, Garfield County: Approves the request for an order to establish a 320-acre drilling and spacing unit consisting of the N½ of Section 32, Township 5 South, Range 92 West, 6th P.M., and to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 191-17, Mamm Creek Field, Garfield County: Approves the request for an order to allow additional wells to be drilled on certain lands in Section 16, Township 6 South, Range 92 West, 6th P.M., the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for the production of gas and associated hydrocarbons from the Williams Fork Formation.

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Order No. 477-4, Harker Ranch Morrow Sand Unit, Cheyenne County: Approves the request for an order to approve the Harker Ranch Morrow Sand Unit Agreement and the Harker Ranch Morrow Sand Unit Operating Agreement as a plan for unitized operations and development for the Morrow Sand Formation and providing for the pooling of all interests within various lands in Township 13 South, Range 43 West, 6th P.M., for the production of gas and associated hydrocarbons from the Morrow Sand Formation.

Order No. 510-18, Grand Valley Field, Garfield County: Approves the request for an order to establish 320-acre drilling and spacing units, to allow the equivalent of one well per 10 acres, with the permitted well to be located no closer than 100 feet from the unit boundary, for certain lands in Townships 5 and 6 South, Ranges 96 and 97 West, 6th P.M., except that permitted wells shall be located 400 feet from the Jelco wells in Section 12, 14 and 22, Township 6 South, Range 97 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork Formation.

Order No. 520-4, Oakdale Field, Huerfano County: Approves the request to pool all non-consenting owners in the 160-acre drilling and spacing unit consisting of the NE¼ of Section 4, Township 29 South, Range 69 West, 6th P.M. for the Harry Willis No. 1 Well, for the development and operation of the Dakota/Entrada Formations.

Order No. 1V-292, Weld County: Approves an Administrative Order by Consent finding United States Exploration, Inc. in violation of Rule 303. for failure to obtain an approved Application for Permit-to-Drill prior to drilling the Perkins #42-5 Well located in the SE¼ NE¼ of Section 5, Township 2 North Range 64 West, 6th P.M.

Order No. 1V-293, Weld County: Approves an Administrative Order by Consent finding United States Exploration, Inc. in violation of Rule 317.i. and Form 2 Permit Conditions of Approval for failure to provide 200' of 800 psi cement above the Sussex Formation for the B & M #12-5 Well located in the SW¼ NW¼ of Section 5, Township 2 North, Range 65 West, 6th P.M.

Order No. 1V-294, Archuleta County: Request for an Order finding Sierra Oil and Gas Company and its entities in violation of Rule 1004.a., failure to reclaim the wellsite for the Binkley #2 Well located in the NE¼ SW¼ of Section 8, Township 32 North, Range 3 East, N.M.P.M. and Rule 319.b., failure to plug and abandon a well shut-in for 6 months for the Mizar Schick #1 Well located in the NE¼ SE¼ of Section 32, Township 36 North, Range 1 West, N.M.P.M.

Approved:

Patricia C. Beaver, Secretary

Peter M. Mueller, Chair