

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

IN THE MATTER OF CHANGES TO THE	)	CAUSE NO. 1
RULES AND REGULATIONS OF THE OIL	)	
AND GAS CONSERVATION COMMISSION	)	DOCKET NO. 0606-RM-01
OF THE STATE OF COLORADO	)	

NOTICE OF RULE-MAKING HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On April 19, 2006, Berry Petroleum Company filed with the Commission a request to docket a rulemaking hearing to consider amendments to the Rules and Regulations of the Colorado Oil and Gas Conservation Commission as described below:

**Rule No. 318B. Special Well Location Rule for Niobrara Formation Completions in Portions of Yuma and Phillips Counties, Colorado.**

Special Well Location Rule as revised for Niobrara Formation Completions in Portions of Yuma and Phillips Counties, Colorado.

a. This Special Well Location Rule (“WLR”) governs wells drilled to and completed in the Niobrara Formation for the following lands:

Township 1 North

Range 44 West: Sections 7, 18, 19, 30 through 33  
Range 45 West: Sections 7 through 36  
Range 46 West: [Sections 1, 2, 3, 4 through 9, 10 through 36] All  
Range 47 West: All  
Range 48 West: All

Township 2 North

**Range 42 West: Sections 3 through 10, 15 through 22, 27 through 34**  
**Range 43 West: All**  
**Range 44 West: All**  
**Range 45 West: All**  
Range 46 West: All  
Range 47 West: All  
Range 48 West: All

Township 3 North

**Range 42 West: Sections 3 through 10, 15 through 22, 27 through 34**  
**Range 43 West: All**  
**Range 44 West: All**  
Range 45 West: [Sections 1 through 18, 19 through 36] All  
Range 46 West: All  
Range 47 West: All  
Range 48 West: All

Township 4 North

**Range 42 West: Sections 3 through 10, 15 through 22, 27 through 34**  
**Range 43 West: All**  
**Range 44 West: All**  
Range 45 West: All  
Range 46 West: All  
Range 47 West: All  
Range 48 West: All

Township 5 North

**Range 42 West: Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31, 32**  
**Range 43 West: All**  
**Range 44 West: All**  
Range 45 West: All  
Range 46 West: All  
Range 47 West: All  
Range 48 West: All

Township 6 North

**Range 42 West: Sections 4 through 9, 16 through 21, 28 through 33**

**Range 43 West: All**

**Range 44 West: All**

Range 45 West: All

Range 46 West: All

Range 47 West: All

Range 48 West: All

**Township 7 North**

**Range 42 West: Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31, 32**

**Range 43 West: All**

**Range 44 West: All**

**Range 45 West: All**

**Range 46 West: All**

**Range 47 West: All**

**Township 8 North**

**Range 42 West: Sections 5, 6, 7, 8, 17, 18, 19, 20, 29, 30, 31, 32**

**Range 43 West: All**

**Range 44 West: All**

**Range 45 West: All**

**Range 46 West: All**

**Range 47 West: All**

**Township 9 North**

**Range 42 West: Sections 19, 20, 29, 30, 31, 32**

**Range 43 West: Sections 19 through 36**

**Range 44 West: Sections 19 through 36**

**Range 45 West: Sections 19 through 36**

**Range 46 West: Sections 19 through 36**

**Range 47 West: Sections 19 through 36**

**Township 1 South**

Range 44 West: Sections 3 through 10, 16 through 21, 27 through 34

Range 45 West: Sections 3 through 5

Range 46 West: Sections 4 through 9, 16 through 36

Range 47 West: All

Range 48 West: All

**Township 2 South**

Range 44 West: Sections 3 through 6

Range 45 West: Section 7: W½, Section 18: W½, Section 19: All

Range 46 West: Sections 1 through 24

Range 47 West: All

Range 48 West: All

**Township 3 South**

Range 48 West: All

**Township 4 South**

Range 48 West: All

Within the WLR Area, operators may conduct drilling operations to the Niobrara Formation as follows:

(1) Four (4) Niobrara Formation wells may be drilled in any quarter section.

(2) No more than one (1) well may be located in any quarter quarter section.

(3) No minimum distance shall be required between wells producing from the Niobrara Formation in any quarter section.

(4) Wells shall be located at least ~~560'~~ **THREE HUNDRED (300) FEET** from the outer boundary of said quarter section, and wells located outside any drilling units already established by the Commission in the WLR Area prior to this WLR's effective date (**AMENDMENT APPROVAL DATE**) shall, in addition, be located at least ~~200'~~ **THREE HUNDRED (300) FEET** from any lease line.

b. Any well drilled to the Niobrara Formation in the WLR Area prior to the effective date (**AMENDMENT APPROVAL DATE**) of this WLR which is legally located when this WLR becomes effective but is not located as listed above shall be treated as properly located for purposes of this WLR.

c. This WLR does not alter the size or configuration of any drilling units already established by the Commission in the WLR Area prior to this WLR’s effective date (**AMENDMENT APPROVAL DATE**).

d. This WLR shall not serve to bar the granting of relief to owners who file an application alleging abuse of their correlative rights to the extent that such owners can demonstrate that their opportunity to produce from the Niobrara Formation at locations herein authorized does not provide an equal opportunity to obtain their just and equitable share of oil and gas from such formation.

e. Well exception locations to this WLR shall be subject to the provisions of Rule 318.c.

f. This WLR is a well location rule and supercedes existing Commission orders in effect at the time of its adoption only to the extent that the existing orders relate to permissible well locations and the number of wells that may be drilled in a quarter section. Commission orders in effect when this Rule 318B. is adopted nonetheless apply with respect to the size of drilling units already established by the Commission in the WLR Area. This WLR is not intended to establish well spacing. Accordingly, when an area subject to Rule 318B. is otherwise unspaced, it does not act to space the area but instead provides the permissible locations for any new Niobrara Formation wells. Similarly, Rule 318B. does not affect production allocation for existing or future wells. An operator may allocate production in accordance with the applicable lease, contract terms or established drilling and spacing units recognizing the owner’s right to apply to the COGCC to resolve any outstanding correlative rights issues.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, June 5, 2006  
Tuesday, June 6, 2006

Time: 10:00 a.m.

Place: Council Chamber  
The Ambulance Building  
304 W. 3rd Street  
Wray, CO 80758

The Commission may take actions, including without limitation, modifying or amending the proposed rule and making conforming modifications to other rules, which it determines are reasonably necessary.

Copies of the current Rules and Regulations are available on the Commission Internet homepage or at the office of the Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado 80203, for \$10.00 or by mail upon the receipt of a check or money order for \$15.00, at the same address.

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By \_\_\_\_\_  
Patricia C. Beaver, Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
April 27, 2006

Attorney for Applicant:  
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Poulson, Odell & Peterson, LLC  
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Denver, CO 80203  
(303) 861-4400

Cause No. 1, Docket No. 0606-RM-01 - Statement of Basis and Purpose – Rule 318B.

The Colorado Oil and Gas Conservation Commission is directed to promote the development of oil and gas resources in Colorado by, among other things, permitting "each oil and gas pool in Colorado to produce up to its maximum efficient rate of production...". §34-60-102(1), C.R.S. Pursuant to this authority, the Commission is empowered to regulate "the spacing of wells", §34-60-106(2)(c), C.R.S., to designate "drilling units" and to prevent the "drilling of unnecessary wells". §34-60-116(1), C.R.S.

Prior to adoption of existing Commission Rule 318B., in existing field orders pertaining to lands within the area covered by existing Rule 318B. (Rule 318B. Area), the Commission had recognized the Niobrara Formation as a common source of supply or pool, had established drilling units covering the Niobrara Formation, and had specified the well spacing for such units. As development matured, the Commission had entered orders allowing increased well density on a field-by-field basis, such that the applicable well spacing rules were inconsistent from field to field, even though the production characteristics of the Niobrara Formation within the fields had been shown to be substantially similar. (See Cause Nos. 300, 315, 316, 317, 318, 327, 328, 320, 330, 331, 341, 350, 351, 352, 353, 489 and 520.) For certain fields, increased well density orders had been entered allowing the drilling of up to four Niobrara Formation wells in each quarter section. (See Order Nos. 489-6 and 351-4.) In the absence of a special well location rule, authorization for increased well density would have required multiple additional proceedings before the Commission on a field-by-field basis.

In response to the foregoing, the Commission adopted Rule 318B., which established uniform rules for well density and well setbacks in the Rule 318B. Area. Subsequent to adoption of Rule 318B. more wells have been drilled in the Rule 318B. Area. This drilling has confirmed the validity of the well density established by Rule 318B.

Existing Commission Rules 318.a. and 318.b. provide the setback criteria for wells drilled outside the boundaries of the Rule 318B. Area in the absence of established fields. The production characteristics of the Niobrara Formation and its geologic compartmentalization both inside and outside the boundaries of the Rule 318B. Area have been shown to be substantially similar. However, the setback criteria of Rules 318.a. and 318.b. are inconsistent with the setback criteria contained in Rule 318B. Further, the relatively inflexible setback criteria of Rule 318.a. is likely to generate numerous applications for exception locations on a well by well basis pursuant to Commission Rule 318.c.

The adoption of revised Rule 318B. to expand the area covered by the rule and amend the Rule 318B. well location setback criteria will:

- (i) allow the efficient recovery of the maximum amount of natural gas from the Niobrara Formation in the revised Rule 318B. Area;
- (ii) reduce the number of applications for exception well locations that must be presented to and acted upon by the Commission for wells drilled in the revised Rule 318B. Area; and
- (iii) provide a uniform rule for spacing of wells drilled to the Niobrara Formation in the revised Rule 318B. Area.

This rule, as revised, is designed to alleviate the inefficiency and the burden upon the Commission caused by the necessity of numerous Commission applications for modifications of existing field orders and applications for individual well exception locations. It is also designed to permit the maximum efficient recovery of natural gas from the Niobrara Formation by providing greater flexibility in the location of wells. Adoption of this rule will permit offset owners to protect their correlative rights by providing them the opportunity to drill wells to protect their lands from drainage. This is consistent with the Commission's mandate to ensure that all owners have "an equal opportunity to obtain and produce ... (a) just and equitable share of the oil and gas underlying such pool or source of supply". §34-60-103(4), C.R.S. Moreover, allowing location flexibility within each governmental quarter-quarter section will foster cooperation between operators and surface owners in the selection of surface facility locations.