



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

IN THE MATTER OF THE PROMULGATION)	CAUSE NO. 555
AND ESTABLISHMENT OF FIELD RULES TO)	
GOVERN OPERATIONS FOR THE "D" SAND)	DOCKET NO. 151000629
FORMATION, CROW FIELD 13600, WELD)	
COUNTY, COLORADO)	TYPE: UNITIZATION
)	
)	ORDER NO. 555-1

REPORT OF THE COMMISSION

The Commission heard this matter on December 8, 2015, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln St., Suite 801, Denver, Colorado, 80203, upon application for an order to approve an approximate 1372.31-acre enhanced recovery unit for portions of Section 36, Township 8 North, Range 60 West, 6th P.M., Section 31, Township 8 North, Range 59 West, 6th P.M., Section 1, Township 7 North, Range 60 West, 6th P.M., and Section 6, Township 7 North, Range 59 West, 6th P.M., for unitized operations for the production of oil, gas, and associated hydrocarbons from the "D" Sand Formation.

FINDINGS

The Commission finds as follows:

1. Foundation Energy Management, L.L.C. (Operator No. 10112) as manager of Foundation Energy Fund III-A, L.P., Foundation Energy Fund III-B Holding, L.L.C., Foundation Energy Fund IV-A, L.P., and Foundation Energy Fund IV-B Holding, L.L.C., and applicant herein ("Foundation" or "Applicant"), is an interested party in the subject matter of the above-referenced hearing.
2. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.
3. The Commission has jurisdiction over the subject matter embraced in said Notice, the parties interested therein, and to promulgate the hereinafter prescribed order pursuant to the Oil and Gas Conservation Act.
4. On August 27, 2015, Amended October 2, 2015, Applicant by its attorneys, filed a verified application ("Application") for an order to establish an approximate 1372.31-acre enhanced recovery unit with unitized operation pursuant to Section 34-60-118, C.R.S., for the below-described lands ("Unit Area") for the production of oil, gas and associated hydrocarbons, operation and development of the "D" Sand Formation:

Township 8 North, Range 60 West, 6th P.M.
Section 36: SE¼

Township 8 North, Range 59 West, 6th P.M.
Section 31: S½ of the West 320 acres

Township 7 North, Range 60 West, 6th P.M.

Section 1: Lot 1 (NE $\frac{1}{4}$ NE $\frac{1}{4}$), Lot 2 (NW $\frac{1}{4}$ NE $\frac{1}{4}$),
S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$

Township 7 North, Range 59 West, 6th P.M.

Section 6: Lot 3 (NE $\frac{1}{4}$ NW $\frac{1}{4}$), Lot 4 (NW $\frac{1}{4}$ NW $\frac{1}{4}$), Lot 5
(SW $\frac{1}{4}$ NW $\frac{1}{4}$), SE $\frac{1}{4}$ NW $\frac{1}{4}$, Lot 6 (NW $\frac{1}{4}$ SW $\frac{1}{4}$),
Lot 7 (SW $\frac{1}{4}$ SW $\frac{1}{4}$), SE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$,
E $\frac{1}{2}$ (All)

5. On November 16, 2015, Foundation, by its attorneys, filed with the Commission a written request to approve the Application based on the merits of the verified Application and the supporting exhibits. Sworn written testimony and exhibits were submitted in support of the Application.

6. Land testimony and exhibits submitted in support of the Application by Scott Ryan, Landman for Foundation, showed Foundation owns 100% of the working interest in the Application Lands. Further testimony showed that each owner of record within the Unit Area Lands and each owner of record of the reservoir involved within one-half (1/2) mile of the unit boundary were notified of the Application, and that Applicant, has procured approval of those persons who, under the Commission's Order, will be required to pay at least eighty-percent (80%) of the costs of unit operation and the owners of at least eighty-percent (80%) of the production or proceeds of the proposed unit operation that are free of costs, such as royalties, overriding royalties and production payments.

7. Land Testimony further showed that the proposed plan for unit operations, Unit Agreement, and Unit Operating contain all of the provisions required by Section 34-60-118(4), C.R.S.

8. Geologic testimony and exhibits submitted in support of the Application by Meredith Smith, Geologist for Foundation, shows the "D" Sand is a Cretaceous Age sand formation deposited in environments ranging from deltaic to fluvial, is found between depths of 6,822 feet to 6,844 feet subsurface under the Unit Area, has a thickness of sand with a density porosity of 8% or greater up to 20 feet thick, and is a common source of supply across the Unit Area. The D-Sand is overlain by the Graneros Formation and underlain by the Huntsman Formation, two impermeable shale formations. Included in the geologic testimony were a cross-section and a net porosity isopach map showing the continuity of the "D" Sand Formation underlying the Unit Area. Further testimony indicated that the underground sources of drinking water will not be affected by the proposed unit operations.

9. Engineering testimony and exhibits submitted in support of the Application by Joseph Tyree, Reservoir Engineer for Foundation, showed that the proposed enhanced recovery operation involves the injection of water into the pool for a water-flood operation, that it is reasonably necessary to increase the ultimate recovery of oil, gas and associated hydrocarbons from the "D" Sand Formation underlying the Unit Area, and that the value of the estimated additional recovery of oil, gas, and associated hydrocarbons will exceed the estimated additional cost incident to conducting such operations.

10. Technical aspects of the proposed enhanced recovery operations were reviewed by the Commission engineering staff, which had no adverse comments about the Application.

11. The above-referenced testimony and exhibits show that granting the Application will allow more efficient reservoir drainage, will prevent waste, will assure a greater ultimate recovery of hydrocarbons, and will not violate correlative rights.

12. Foundation agreed to be bound by oral order of the Commission.

13. Based on the facts stated in the verified Application, having received no protests, and based on the Hearing Officer review of the Application under Rule 511, the Commission should enter an order to establish an approximate 1372.31-acre enhanced recovery unit for portions of Section 36, Township 8 North, Range 60 West, 6th P.M., Section 31, Township 8 North, Range 59 West, 6th P.M., Section 1, Township 7 North, Range 60 West, 6th P.M., and Section 6, Township 7 North, Range 59 West, 6th P.M., and approve unitized operations for the production of oil, gas and associated hydrocarbons from the "D" Sand Formation.

ORDER

IT IS HEREBY ORDERED:

1. An approximate 1372.31-acre enhanced recovery unit for the below described lands is hereby established, and unitized operations are hereby approved, for the production of oil, gas, and associated hydrocarbons from the "D" Sand Formation:

Township 8 North, Range 60 West, 6th P.M.
Section 36: SE $\frac{1}{4}$

Township 8 North, Range 59 West, 6th P.M.
Section 31: S $\frac{1}{2}$ of the West 320 acres

Township 7 North, Range 60 West, 6th P.M.
Section 1: Lot 1 (NE $\frac{1}{4}$ NE $\frac{1}{4}$), Lot 2 (NW $\frac{1}{4}$ NE $\frac{1}{4}$),
S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$

Township 7 North, Range 59 West, 6th P.M.
Section 6: Lot 3 (NE $\frac{1}{4}$ NW $\frac{1}{4}$), Lot 4 (NW $\frac{1}{4}$ NW $\frac{1}{4}$), Lot 5
(SW $\frac{1}{4}$ NW $\frac{1}{4}$), SE $\frac{1}{4}$ NW $\frac{1}{4}$, Lot 6 (NW $\frac{1}{4}$ SW $\frac{1}{4}$),
Lot 7 (SW $\frac{1}{4}$ SW $\frac{1}{4}$), SE $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$,
E $\frac{1}{2}$ (All)

2. This Order shall become effective immediately.

3. All operations, including, but not limited to, the commencement, drilling, or operation of a well upon any portion of the Unit Area shall be deemed for all purposes the conduct of such operations upon each separately owned tract in the Unit Area by the several owners thereof. The portion of the unit production allocated to a separately owned tract in the Unit Area shall, when produced, be deemed, for all purposes, to have been actually produced from such tract by a well drilled thereon. Operations conducted pursuant to this Order shall constitute a fulfillment of all the express or implied obligations of each lease or contract covering lands in the Unit Area to the extent that compliance with such obligations cannot be had because of this Order.

4. The portion of the unit production allocated to any tract, and the proceeds from the sale thereof, shall be the property and income of the several persons to whom, or to whose credit, the same are allocated or payable under this Order.

5. No division order or other contract relating to the sale or purchase of production from a separately owned tract shall be terminated by this Order, but shall remain in force and apply to oil and gas allocated to such tract until terminated in accordance with the provisions hereof.

6. Except to the extent that the parties affected so agree, this Order shall not be construed to result in a transfer of all or any part of the title of any person to the oil and gas rights in any tract in the Unit Area. All property, whether real or personal, that may be acquired in the conduct of unit operations under this Order, shall be acquired for the account of the owners within the Unit Area, and shall be the property of such owners in the proportion that the expenses of unit operations are charged.

IT IS FURTHER ORDERED

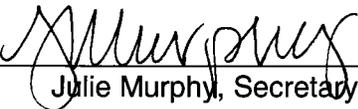
1. The Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

2. Under the State Administrative Procedure Act the Commission considers this Order to be final agency action for purposes of judicial review within 35 days after the date this Order is mailed by the Commission.

3. An application for reconsideration by the Commission of this Order is not required prior to the filing for judicial review.

ENTERED this 11th day of December, 2015, as of December 8, 2015.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Murphy, Secretary