

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

IN THE MATTER OF THE PROMULGATION)	CAUSE NO. 4
AND ESTABLISHMENT OF FIELD RULES TO)	
GOVERN OPERATIONS FOR THE "D" SAND)	DOCKET NO. 150700376
FORMATION, GREASEWOOD FIELD 32300,)	
WELD COUNTY, COLORADO)	TYPE: UNITIZATION
)	
)	ORDER NO. 4-5

REPORT OF THE COMMISSION

The Commission heard this matter on October 26, 2015, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln St., Suite 801, Denver, Colorado, 80203, upon application for an order to approve and make effective the Unit Agreement and plan for unit operations for an approximate 440-acre enhanced recovery unit for Sections 14 and 23, Township 6 North, Range 61 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 July 20, 2015, the Commission entered Order No. 4-4 which established an approximate 440-acre enhanced recovery unit covering portions of Sections 14 and 23, Township 6 North, Range 61 West, 6th P.M., for the production of oil, gas and associated hydrocarbons from the "D" Sand Formation (the "Greasewood Unit"). Paragraph 2 of Order No. 4-4 states that Order No. 4-4 will become effective upon "a finding by the Commission in a supplemental order, after application, notice, and such supplemental hearing as may be required, that the requisite eighty-percent (80%) approvals have been obtained."

5. On August 27, 2015, Applicant by its attorneys, filed a verified application ("Application") for an order to make Order No. 4-4 effective as of July 20, 2015, in light of Applicant obtaining more than the requisite 80% written approval, ratification and joinder of the Greasewood Unit by owners of production or proceeds thereof that will be credited to the interests which are free of costs, such as royalties and overriding royalties, in an approximate

440-acre enhanced recovery unit with unitized operation established 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 6 North, Range 61 West, 6th P.M.

Section 14: SE $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$

Section 23: NW $\frac{1}{4}$, NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

6. On October 5, 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.

7. 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 Unit Area. Further testimony showed that each owner of record within the Unit Area 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.

8. Land testimony specifically showed that Applicant has obtained approval of the Unit Agreement and proposed plan of unit operations from the owners of 91.51 percent of the production or proceeds of the proposed unit operation that are free of costs, such as royalties, overriding royalties and production payments.

9. 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.

10. 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.

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

12. 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 approve the Unit Agreement and plan for unit operations for an approximate 440-acre enhanced recovery unit for Sections 14 and 23, Township 6 North, Range 61 West, 6th P.M., and approve unitized operations for the production of oil, gas and associated hydrocarbons from the "D" Sand Formation effective as of July 20, 2015, the effective date of Order 4-4.

ORDER

IT IS HEREBY ORDERED:

1. An approximate 440-acre enhanced recovery unit for the below described lands is hereby approved and made effective July 20, 2015, for the production of oil, gas, and associated hydrocarbons from the "D" Sand Formation:

Township 6 North, Range 61 West, 6th P.M.

Section 14: SE $\frac{1}{4}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$

Section 23: NW $\frac{1}{4}$, NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

2. 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.

3. 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.

4. 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.

5. 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 provisions contained in the above order shall become effective immediately.

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

3. 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.

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

ENTERED this 4th day of November, 2015, as of October 26, 2015.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Julie Murphy, Secretary