



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

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| IN THE MATTER OF THE PROMULGATION AND) | CAUSE NO. 421 |
| ESTABLISHMENT OF FIELD RULES TO GOVERN) | |
| OPERATIONS FOR THE NIOBRARA, FORT HAYS,) | DOCKET NO. 180600391 |
| CODELL, AND CARLILE FORMATIONS,) | |
| HEREFORD FIELD, WELD COUNTY, COLORADO) | TYPE: SPACING |
|) | |
|) | ORDER NO. 421-151 |

REPORT OF THE COMMISSION

The Commission heard this matter on January 28, 2019, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to amend Order No. 421-37, which established an approximate 1,280-acre drilling and spacing unit for Sections 25 and 36, Township 11 North, Range 64 West, 6th P.M., to include the Fort Hays, Codell, and Carlile Formations, and approve a total of up to 14 horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations.

FINDINGS

The Commission finds as follows:

1. CCRP Operating Inc. (Operator No. 10665) ("CCRP" 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, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order pursuant to the Oil and Gas Conservation Act.
4. Rule 318.a. of the Rules and Regulations of the Oil and Gas Conservation Commission requires that, on unspaced lands, wells drilled in excess of 2,500 feet in depth be located not less than 600 feet from any lease line, and located not less than 1,200 feet from any other producible or drilling oil or gas well when drilling to the same common source of supply. Sections 25 and 36, Township 11 North, Range 64 West, 6th P.M., are subject to this Rule for the Fort Hays, Codell, and Carlile Formations.
5. On October 21, 2010, the Commission issued Order No. 421-3 which, among other things, established 83 approximate 640-acre drilling and spacing units for certain lands, including Sections 25 and 36, Township 11 North, Range 64 West, 6th P.M., and approved one horizontal well within each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, with the bottomhole locations not less than 600 feet from the boundaries of the unit.
6. On January 7, 2013, the Commission issued Order No. 421-37 which, among other things, vacated two approximate 640-acre drilling and spacing units established by Order No.

421-3 and established an approximate 1,280-acre drilling and spacing unit for Sections 25 and 36, Township 11 North, Range 64 West, 6th P.M., and approved ten horizontal wells within said unit, for production of oil, gas, and associated hydrocarbons from the Niobrara Formation, with the bottomhole location of any permitted well located not less than 600 feet from the unit boundaries and not less than 460 feet from any other well or treated interval of a well producing from the Niobrara Formation.

7. On January 7, 2019, the Commission approved a Sundry Notice for the Lion Creek 08-25H Well (API No. 05-123-32699) that Fifth Creek Energy Operating Company submitted. Upon approval of the sundry, the Lion Creek 08-25H Well no longer allocates to the approximate 640-acre drilling and spacing unit established by Order No. 421-3 for Section 25, Township 11 North, Range 64 West, 6th P.M., but to the approximate 1,280-acre drilling and spacing unit established by Order No. 421-37 for Sections 25 and 36, Township 11 North, Range 64 West, 6th P.M.

8. On March 21, 2018 (amended April 30, 2018), CCRP filed a verified application ("Application") pursuant to §34-60-116, C.R.S., for an order to amend Order No. 421-37, which established an approximate 1,280-acre drilling and spacing unit for the below described lands ("Application Lands") to include the Fort Hays, Codell, and Carlile Formations and to approve a total of up to 14 horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations, with the productive interval of the wellbores to be located no closer than 300 feet from unit boundaries and no closer than 150 feet from the productive interval of any other wellbore located in the unit, unless the Director grants an exception:

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| <u>Township 11 North, Range 64 West, 6th P.M.</u> | |
| Section 25: | All |
| Section 36: | All |

Applicant stated that any horizontal wells to be drilled under this Application will be drilled from no more than four multi-well pads on the surface of the drilling unit, or on adjacent lands with consent of the landowner, unless the Director grants an exception.

9. On July 5, 2018, CCRP, 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.

10. Land testimony and exhibits submitted in support of the Application by Lawrence Lillo, Vice President Land for CCRP, showed that the mineral interests in the Application Lands are owned in state and fee, and that CCRP owns leasehold interests and has a right to drill in the Application Lands.

11. Geologic testimony and exhibits submitted in support of the Application Steen A. Jergensen, Vice President – Geoscience for CCRP, showed that the Niobrara Formation is present throughout the Application Lands, is approximately 275 feet thick, and is a succession of chinks and organic rich marls. The geologic testimony also showed that the Fort Hays Formation is present throughout the Application Lands, is approximately 16 feet thick, and consists of limestone. The geologic testimony also showed that the Codell Formation is present throughout the Application Lands, is approximately 16 feet thick, and is a bioturbated sandstone. The geologic testimony also showed that the Carlile Formation is present throughout the Application

Lands, is approximately 26 feet thick, and is a clay-rich shale. Finally, the geologic testimony affirmed that the Niobrara and the Codell Formations are a common source of hydrocarbon production and are the target formations. The Fort Hays and Carlile Formations are included in the Application because they are adjacent to the Codell Formation and may be encountered during drilling.

12. Engineering testimony and exhibits submitted in support of the Application Keith Engler, Chief Executive Officer at CCRP, showed that CCRP plans to drill six horizontal Codell Formation wells and eight horizontal Niobrara Formation wells. In addition, the engineering testimony showed that, based on analog Niobrara Formation wells, the estimated drainage area for horizontal Niobrara Formation wells in the Application Lands is 62 acres, and an approximate 1,280-acre drilling and spacing unit is therefore not less than the maximum area that can be efficiently, economically, and effectively drained by eight horizontal wells producing oil, gas, and associated hydrocarbons from the Niobrara Formation. The engineering testimony also showed that, based on analog Codell Formation wells, the estimated drainage area for horizontal Codell Formation wells in the Application Lands is 97 acres, and an approximate 1,280-acre drilling and spacing unit is therefore not less than the maximum area that can be efficiently, economically, and effectively drained by six horizontal wells producing oil, gas, and associated hydrocarbons from the Codell Formation.

13. In addition, the engineering testimony showed that the drainage radius from wellbores in the Niobrara Formation is estimated to be 143 feet. The engineering testimony also showed that the drainage radius from wellbores in the Codell Formation is estimated to be 223 feet. Thus, the requested setbacks of 300 feet from the unit boundaries are appropriate.

14. 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.

15. CCRP agreed to be bound by oral order of the Commission.

16. 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 amend Order No. 421-37, which established an approximate 1,280-acre drilling and spacing unit for Sections 25 and 36, Township 11 North, Range 64 West, 6th P.M., to include the Fort Hays, Codell, and Carlile Formations, and approve a total of up to 14 horizontal wells within the unit, including the Lion Creek 08-25H Well (API No. 05-123-32699), for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations.

ORDER

IT IS HEREBY ORDERED:

1. Order No. 421-37, which established an approximate 1,280-acre drilling and spacing unit for the below described lands, is hereby amended to include the Fort Hays, Codell, and Carlile Formations, in addition to the Niobrara Formation, and up to 14 horizontal wells within the unit, including the Lion Creek 08-25H Well (API No. 05-123-32699), are approved for the production of oil, gas, and associated hydrocarbons from the Niobrara, Fort Hays, Codell, and Carlile Formations:

Township 11 North, Range 64 West, 6th P.M.

Section 25: All

Section 36: All

2. The productive interval of the wellbores will be located no closer than 300 feet from the unit boundaries and no closer than 150 feet from the productive interval of any other wellbore located in the unit, unless the Director grants an exception.

3. All wells permitted under this Order will be drilled from no more than four multi-well pads within the Application Lands, or on adjacent lands with surface owner consent, unless the Director grants an exception.

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 25th day of February, 2019, as of January 28, 2019.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By


Mimi C. Larsen, Secretary