

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

IN THE MATTER OF THE PROMULGATION AND ) CAUSE NO. 535  
ESTABLISHMENT OF FIELD RULES TO GOVERN )  
OPERATIONS FOR THE NIOBRARA FORMATION, ) DOCKET NO. 180300216  
UNNAMED FIELD, DENVER AND ADAMS COUNTIES, )  
COLORADO ) TYPE: SPACING  
)  
) ORDER NO. 535-1316

REPORT OF THE COMMISSION

The Commission heard this matter on July 28, 2020, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to establish an approximate 1,588.82-acre drilling and spacing unit for the below-described lands (“Application Lands”) and approve up to 16 horizontal wells within the unit, for production from the Niobrara Formation, with the productive interval of any wellbore to be located no closer than 460 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception:

Township 3 South, Range 66 West, 6<sup>th</sup> P.M.  
Section 2: All  
Section 3: All  
Section 4: E½

FINDINGS

The Commission finds as follows:

1. Axis Exploration, LLC (Operator No. 10646) (“Axis” or “Applicant”), as applicant herein, 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. Pursuant to § 34-60-106(2.5)(a), C.R.S., the Commission shall regulate oil and gas operations in a reasonable manner to protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources, and shall protect against adverse environmental impacts on any air, water, soil, or biological resource resulting from oil and gas operations.
5. Rule 318.a. provides that for any oil or gas well drilled to a common source of supply and drilled to a producing depth at least 2,500 feet below ground surface shall be located not less than 600 feet from any lease line and not less than 1,200 feet from any other producing or drilling oil or gas well when drilling to the same source of supply, unless approved by Commission order upon hearing. The Application Lands are subject to this Rule for production of

oil and gas from the Niobrara Formation.

6. On January 18, 2018, amended first on September 24, 2018, and again on December 13, 2018, Axis, by its attorneys, filed with the Commission a verified application (“Application”) pursuant to § 34-60-116, C.R.S., for an order to establish an approximate 1,588.82-acre drilling and spacing unit for the Application Lands and approve up to 16 horizontal wells within the unit, for production from the Niobrara Formation, with the productive interval of any wellbore to be located no closer than 460 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception.

7. The City and County of Denver (“Denver”) filed a protest on October 18, 2018. Denver withdrew its protest on February 25, 2019.

8. Aurora Convention Center Hotel, LLC, Aurora10 Land, LLC, and Rida High Point Land, LLC (“Aurora Protestants”) filed a protest on May 25, 2018. The Aurora Protestants withdrew its protest on July 8, 2020.

9. Applicant states that all horizontal wells will be drilled from no more than two multi-well pads within the drilling unit, or on adjacent lands with consent of the landowner, subject to Rule 318A, unless an exception is granted by the Director.

10. Axis filed with the Commission a written request to approve the Application based on the merits of the verified Application and on supporting exhibits. Sworn written testimony and exhibits were submitted in support of the Application.

11. Land testimony and exhibits submitted in support of the Application by Pamela Kingery, Land Advisor for Axis, show that Axis holds oil and gas interests and has a right to drill in the Application Lands.

12. Geologic testimony and exhibits submitted in support of the Application by Alicia Branch, Geologist for Axis, show that the Niobrara Formation is present throughout the Application Lands, is approximately 215 to 235 feet thick, and is generally of uniform thickness throughout the Application Lands. The geologic testimony shows that the Niobrara Formation is a sequence of chalks and marls, and has three potentially productive intervals, the those being the A, B, and C chalk benches.

13. Engineering testimony and exhibits submitted in support of the Application by Mathew Dolezal, Reservoir Engineer for Axis, showed that Axis plans to drill 16 wells in the Niobrara Formation. The engineering testimony also showed that the drainage area for analog horizontal Niobrara Formation wells extrapolated for a 1,588.82-acre drilling and spacing unit is estimated at 49.1 acres, and an approximate 1,588.82-acre drilling and spacing unit is therefore not less than the maximum area than can be efficiently, economically and effectively drained by 16 horizontal wells producing oil, gas and associated hydrocarbons from the Niobrara Formation. The engineering testimony showed that horizontal wells drilled in the Niobrara Formation would be economical.

14. The engineering testimony further showed that the calculated drainage radius for a Niobrara Formation well is 88 feet. Therefore, the proposed unit-boundary setbacks are appropriate.

15. Regulatory testimony and exhibits submitted in support of the Application by Nathan Bennett, Regulatory Supervisor for Axis, show that the agreed-upon surface locations for development of the Application Lands is located in the City of Aurora, and therefore the City of Aurora is the local governmental agency with siting authority for the Application Lands. On July 24, 2019, Axis entered into an Oil and Gas Operator Agreement with the City of Aurora. The testimony further demonstrates that in developing the Application Lands, Axis' operations will reasonably protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources and will protect against adverse environmental impacts on any air, water, soil, or biological resources.

16. The above-referenced testimony and exhibits show that granting the Application will regulate oil and gas operations in a reasonable manner to protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources and will protect against adverse environmental impacts on any air, water, soil, or biological resource resulting from oil and gas operations.

17. The above-referenced testimony and exhibits further 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.

18. Axis agreed to be bound by oral order of the Commission.

19. Based on the facts stated in the verified Application, all protests having been withdrawn, and based on the Hearing Officer review of the Application under Rule 511, the Commission should enter an order to establish an approximate 1,588.82-acre drilling and spacing unit for the Application Lands and approve up to 16 horizontal wells within the unit, for production from the Niobrara Formation, with the productive interval of any wellbore to be located no closer than 460 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception.

### ORDER

#### IT IS HEREBY ORDERED:

1. An approximate 1,588.82-acre drilling and spacing unit for the Application Lands is hereby established, and up to 16 horizontal wells within the unit are approved for production from the Niobrara Formation.

2. The productive interval of any wellbore will be located no closer than 460 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception.

3. All wells permitted under this Order will be drilled from no more than two multi-well pads within the Application Lands, or on adjacent lands with consent of the landowner, subject to Rule 318A, unless the Director grants an exception.

4. No oil and gas operations may be conducted in the Application Lands without an approved Oil and Gas Location Assessment permit(s) (Form 2A) and approved Applications for Permits to Drill (Form 2). The determination of whether an oil and gas location satisfies § 34-60-106(2.5)(a), C.R.S. shall be made by Commission permitting staff in the course of its review and determination of the Form 2A. The Commission's approval of this drilling and spacing unit does

not equate to approval of any proposed Form 2A for an oil and gas location or Form 2.

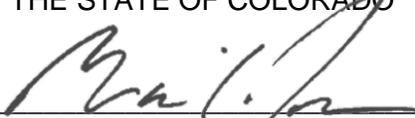
IT IS FURTHER ORDERED:

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 7th day of August, 2020, as of July 28, 2020.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By



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Mimi C. Larsen, Secretary