

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. 407 |
| ESTABLISHMENT OF FIELD RULES TO GOVERN |) | |
| OPERATIONS FOR THE NIOBRARA AND CODELL |) | DOCKET NO. 200100007 |
| FORMATIONS, WATTENBERG FIELD, WELD |) | |
| COUNTY, COLORADO |) | TYPE: SPACING |
| |) | |
| |) | ORDER NO. 407-3177 |

REPORT OF THE COMMISSION

The Commission heard this matter on December 1, 2020, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado upon application for an order to: 1) vacate Order No. 407-2536; and 2) establish an approximate 700-acre drilling and spacing unit for the below-described lands ("Application Lands"), and approve up to nine horizontal wells within the unit, for production from the Niobrara and Codell Formations, with the productive interval of any wellbore to be located no closer than 300 feet from the northern unit boundary, 460 feet from the southern unit boundary, 150 feet from the eastern and western 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 1 North, Range 68 West, 6th P.M.

Section 32: N $\frac{1}{2}$, N $\frac{1}{2}$ N $\frac{1}{2}$ S $\frac{1}{2}$

Section 33: NW $\frac{1}{4}$, N $\frac{1}{2}$ N $\frac{1}{2}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$

FINDINGS

The Commission finds as follows:

1. Extraction Oil & Gas, Inc. (Operator No. 10459) ("Extraction" 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. On April 27, 1998, the Commission adopted Rule 318A, the Greater Wattenberg Area Special Well Location, Spacing and Unit Designation Rule. The Application Lands are subject to this Rule for the Niobrara and Codell Formations.

6. On February 19, 1992, amended August 20, 1993, the Commission entered Order No. 407-87, which established 80-acre drilling and spacing units for the production of oil and/or gas from the Codell-Niobrara Formation, the Codell Formation, and the Niobrara Formation underlying certain lands including the Application Lands, with permitted well locations in accordance with the provisions of Order No. 407-1.

7. On October 24, 2016, the Commission entered Order No. 407-1794 which established one approximate 1,280-acre drilling and spacing unit for Sections 28 and 33, Township 1 North, Range 68 West, 6th P.M., and approved up to a total of 20 horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations.

8. On October 30, 2017, the Commission entered Order No. 407-2208, which, among other things, vacated Order No. 407-1794, and established an approximate 1,360-acre drilling and spacing unit for the E½ of Section 33 and W½ of Section 34, Township 1 North, Range 68 West, 6th P.M., and the W ½ of Section 3 and the E½ and E½E½W½ of Section 4, Township 1 South, Range 68 West, 6th P.M., and approved up to twenty horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Niobrara and Codell Formations.

9. The following wells were drilled pursuant to Order No. 407-2208: the Coyote Trails 33S-20-3N (API No. 05-123-45988); the Coyote Trails 33S-20-4N (API No. 05-123-45992); and the Coyote Trails 33S-20-5C (API No. 05-123-45995). According to the application, these wells are unaffected by this Application, and shall continue to be drilled and operated pursuant to Order No. 407-2208.

10. The following wells were drilled pursuant to designated horizontal wellbore spacing units according to Rule 318A: the Coyote Trails 33S-20-1N (API No. 05-123-49914); and the Coyote Trails 33S-20-2C (API No. 05-123-49913). According to the application, these wells are unaffected by this Application, and shall be drilled and operated pursuant to their individual wellbore spacing units approved pursuant to Rule 318A., which allows for overlapping units.

11. On October 31, 2017, the Commission entered Order No. 407-2209, which vacated Order No. 407-1794, and established an approximate 1,000-acre drilling and spacing unit for the N½ and N½N½S½ of Section 31, the N½ and N½N½S½ of Section 32, and the NW¼ and N½N½SW¼ of Section 33, Township 1 North, Range 68 West, 6th P.M., and approved up to twelve (12) horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations with the productive interval of the wellbore being no closer than 150 feet from the productive interval of any other wellbore producing from the Codell and Niobrara Formations, and no closer than 460 feet from the northern, southern, and western unit boundaries, and no closer than 150 feet from the eastern unit boundary, unless an exception is granted by the Director.

12. On May 24th, 2018, the Commission entered Order No. 407-2449, which among other things, vacated an approximate 1,000-acre drilling and spacing unit established by Order No. 407-2209 for the N½ and N½N½S½ of Section 31, the N½ and N½N½S½ of Section 32, and the NW¼ and N½N½SW¼ of Section 33, Township 1 North, Range 68 West, 6th P.M.

13. On July 30, 2018, the Commission entered Order No. 407-2536, established an approximate 600-acre drilling and spacing unit for the N½ and N½N½S½ of Section 32 and the NW¼ and N½N½SW¼ of Section 33, Township 1 North, Range 68 West, 6th P.M., and approved up to twelve (12) horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations with the productive interval of the wellbore

being no closer than 150 feet from the productive interval of any other wellbore producing from the Codell and Niobrara Formations, and no closer than 460 feet from the northern, southern, and western unit boundaries, and no closer than 150 feet from the eastern unit boundary, unless an exception is granted by the Director. The Application Lands are subject to this order.

14. Applicant has, pursuant to Order No. 407-2536, drilled nine horizontal wells within the Application Lands: Coyote Trails #33W-15-2N well (API# 05-123-48251); Coyote Trails #33W-15-3C well (API# 05-123-48249); Coyote Trails #33W-15-4N well (API# 05-123-48254); Coyote Trails #33W-15-5N well (API# 05-123-48247); Coyote Trails #33W-15-6C well (API# 05-123-48255); Coyote Trails #33W-15-7N well (API# 05-123-48248); Coyote Trails #33W-15-8N well (API# 05-123-48250); Coyote Trails #33W-15-9C well (API# 05-123-48253); and Coyote Trails #33W-15-10N well (API# 05-123-48252) (the "Coyote Trails West Wells"). However, a completed portion of the laterals for the Coyote Trails Wells is located outside the unit boundary, or within the unit boundary setback, established by Order No. 407-2536. Upon determining that the completed portions of the wells did not meet the unit boundary setbacks, Extraction self-reported the matter and filed Form 5As for each well. Extraction has now filed this Third Amended Application to protect correlative rights for all owners in the Application Lands, and to locate the completed intervals for the Coyote Trails Wells in an approved Commission spacing location.

15. The Coyote Trails West Wells have been drilled from the Commission-approved Coyote Trails Well Pad, Location ID 319094, located in the SW¼SE¼ of Section 28, Township 1 North, Range 68 West, 6th P.M., Weld County, Colorado. Local siting disposition, pursuant to Section 34-60-116(1)(a)(I), C.R.S., is complete as Weld County, the local jurisdiction with land use authority over the location, has approved the location under a Weld County Oil and Gas Location Assessment.

16. There are vertical wells within the above-described 700-acre drilling and spacing unit that were producing from, inter alia, the Codell and Niobrara Formations. Applicant is the Operator of these wells, which were plugged and abandoned pursuant to the Commission Rules in December 2019.

17. On September 16, 2020, Extraction, by its attorneys, filed with the Commission its third amended, verified application ("Application") pursuant to § 34-60-116, C.R.S., for an order to: 1) vacate Order No. 407-2536; and 2) establish an approximate 700-acre drilling and spacing unit for the Application Lands, and approve up to nine horizontal wells within the unit, for production from the Niobrara and Codell Formations, with the productive interval of any wellbore to be located no closer than 300 feet from the northern unit boundary, 460 feet from the southern unit boundary, 150 feet from the eastern and western 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.

18. Applicant states that all horizontal wells have been drilled from no more than one multi-well pad on the surface of the drilling unit, or on adjacent lands with consent of the landowner, unless an exception is granted by the Director. Applicant further stated that the wells have been drilled in an east-west orientation.

19. Extraction 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.

20. Land testimony and exhibits submitted in support of the Application by Jason Rayburn, Landman for Extraction, showed that Extraction owns leasehold interest in the Application Lands and has a right to drill in the Application Lands.

21. Geologic testimony and exhibits submitted in support of the Application by Jim Folcik, Geologist for Extraction, showed that the Niobrara and Codell Formations are present throughout the Application Lands, that the Niobrara is approximately 341 to 358 feet thick, that the Codell is approximately 17 to 19 feet thick, and that the formations are generally of uniform thickness throughout the Application Lands.

22. Engineering testimony and exhibits submitted in support of the Application by Neel Duncan, Engineer for IPT on behalf of Extraction, included an economic analysis that demonstrates that the Application Lands will be efficiently and economically developed. Further Testimony showed that the average drainage area within the unit is 31 acres for Niobrara wells and 36 acres for Codell Wells, that the calculated drainage radius is approximately 92 feet for Niobrara wells and 138 feet for Codell Wells, all of which supports the requested horizontal wellbore density within the 700-acre drilling and spacing unit drilled to the requested well setbacks. The 700-acre spacing unit is not less than the maximum area that can be efficiently, economically and effectively drained by nine horizontal wells producing from the respective benches of the Niobrara and Codell Formations.

23. Regulatory testimony and exhibits submitted in support of the Application by Nathan Bennett for Extraction, show that Weld County is the local governmental agency with siting authority for the Application Lands and that Weld County has waived its right to render a disposition regarding its surface permitting prior to the Commission's approval of the proposed drilling and spacing unit. The regulatory testimony further demonstrates that in developing the Application Lands, Extraction's 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.

24. 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.

25. 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.

26. Extraction agreed to be bound by oral order of the Commission.

27. 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: 1) vacate Order No. 407-2536; and 2) establish an approximate 700-acre drilling and spacing unit for the Application Lands, and approve up to nine horizontal wells within the unit, for production from the Niobrara and Codell Formations, with the productive interval of any wellbore to be located no closer than 300 feet from the northern unit boundary, 460 feet from the southern unit boundary, 150 feet from the eastern and western 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. Order No. 407-2536 is hereby vacated.
2. An approximate 700-acre drilling and spacing unit for the Application Lands is hereby established, and a total of up to nine horizontal wells within the unit are approved, for the production of oil, gas and associated hydrocarbons from the Niobrara and Codell Formations.
3. The productive interval of any wellbore will be located no closer than 300 feet from the northern unit boundary, 460 feet from the southern unit boundary, 150 feet from the eastern and western 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.
4. All wells permitted under this Order will be drilled from no more than one multi-well pad within the Application Lands, or on adjacent lands with consent of the landowner, unless the Director grants an exception.
5. All wells will be drilled in an east-west orientation.
6. 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 22nd day of December, 2020, as of December 1, 2020.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Jeff Robbins, Chair, Colorado Oil and Gas
Conservation Commission