

BEFORE THE ENERGY AND CARBON MANAGEMENT COMMISSION  
OF THE STATE OF COLORADO

IN THE MATTER OF THE PROMULGATION AND	)	CAUSE NO. 112
ESTABLISHMENT OF FIELD RULES TO GOVERN	)	
OPERATIONS FOR THE MANCOS FORMATION,	)	DOCKET NO. 240800188
IGNACIO BLANCO FIELD, LA PLATA COUNTY,	)	
COLORADO	)	TYPE: SPACING
	)	
	)	ORDER NO. 112-304

REPORT OF THE COMMISSION

The Commission heard this matter on November 13, 2024, at the Colorado Energy and Carbon Management Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to: 1) establish an approximate 389.29-acre drilling and spacing unit ("DSU No. 1") for the below-described lands and approve one new horizontal well to be developed in such unit, and with the productive interval of the Well in DSU No. 1 for the development of the Mancos Formation to be no closer than 600 feet from the western unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the southern, eastern, and northern unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that the horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable; 2) establish an approximate 679.08-acre drilling and spacing unit ("DSU No. 2") for the below-described lands and approve up to two new horizontal wells to be developed in such unit, and with the productive interval of the Wells in DSU No. 2 to be no closer than 600 feet from the eastern and northern unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the southern and western unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that each horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable; and 3) establish an approximate 880.87-acre drilling and spacing unit ("DSU No. 3") for the below-described lands and approve up to two new horizontal wells to be developed in such unit, productive interval of the Wells in DSU No. 3 to be no closer than 600 feet from the western and northern unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the eastern and southern unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that each horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable. The total of five horizontal wells to be developed in Colorado from a surface location in New Mexico for the production of oil, gas, and associated hydrocarbons from the Mancos Formation:

**DSU No. 1:**

Township 32 North, Range 6 West, N.M.P.M.

Section 19: Lots 3, 4, 5, 6

Section 20: Lots 3, 4

Township 32 North, Range 7 West, N.M.P.M.

Section 23: NE/4 SE/4 *equivalent* (unnumbered lot)

Section 24: N/2 S/2 *equivalent* (unnumbered lots)

**DSU No. 2:**

Township 32 North, Range 6 West, N.M.P.M.

Section 20: Lots 1, 2, S/2 NE/4

Section 21: Lots 1, 2, 3, 4, S/2 N/2

Section 22: Lots 1, 2, 3, 4, S/2 NW/4, SW/4 NE/4

**DSU No. 3:**

Township 32 North, Range 6 West, N.M.P.M.

Section 19: Lots 1, 2, E/2 NW/4, NE/4

Section 20: NW/4

Township 32 North, Range 7 West, N.M.P.M.

Section 23: E/2 NE/4

Section 24: N/2

**FINDINGS**

The Commission finds as follows:

1. Hilcorp Energy Company (Operator No. 10133) ("Hilcorp" 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 C.R.S. § 34-60-106(2.5)(a), 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 401.a of the Rules and Regulations of the Energy and Carbon Management 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.

6. Rule 401.d.(3) provides an exception to the Well completion requirements of Rule 401.a., and states that in a unit operation approved by federal or state authorities, these Well completion location requirements apply to the exterior or interior (if one exists) boundary of the unit area unless otherwise authorized by Commission order after proper notice to Owners outside the unit area.

7. DSU No. 1, DSU No. 2, and DSU No. 3 are located within the U.S. Bureau of Land Management ("BLM") Allison Federal Exploratory Unit ("Allison FEU"), FEU Serial No. NMNM105418404 (Legacy: NMNM078372X).

8. The records of the Commission indicate that there are no producing, shut-in, or

temporarily abandoned wells located in the Application Lands for the Mancos Formation.

9. There are no Commission Orders that apply to any of the Application Lands for the Mancos Formation.

10. On August 12, 2024, Hilcorp, by its attorneys, filed with the Commission a verified application ("Application") pursuant to C.R.S. § 34-60-116, for an order to: 1) establish an approximate 389.29-acre drilling and spacing unit for DSU No. 1 and approve one new horizontal well to be developed in such unit; 2) establish an approximate 679.08-acre drilling and spacing unit for DSU No. 2 and approve up to two new horizontal wells to be developed in such unit; and 3) establish an approximate 880.87-acre drilling and spacing unit for DSU No. 3 and approve up to two new horizontal wells to be developed in such unit, with the total of five horizontal wells to be developed in Colorado from a surface location in New Mexico for the production of oil, gas, and associated hydrocarbons from the Mancos Formation.

11. Hilcorp will utilize a surface location in New Mexico for the development of the Application Lands, unless the Director grants an exception.

12. Applicant states that the productive interval of the Well in the DSU No. 1 for the development of the Mancos Formation will be no closer than 600 feet from the western unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the southern, eastern, and northern unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that the horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable.

13. Applicant states that the productive interval of the Wells in the DSU No. 2 for the development of the Mancos Formation will be no closer than 600 feet from the eastern and northern unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the southern and western unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that each horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable.

14. Applicant states that the productive interval of the Wells in the DSU No. 3 for the development of the Mancos Formation will be no closer than 600 feet from the western and northern unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the eastern and southern unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that each horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable.

15. Applicant maintains that the wells within the unit will be drilled in an east-west or west-east orientation.

16. The DSU No. 1 Application Lands are located entirely within the exterior boundaries of the Southern Ute Indian Reservation and one parcel (Lot 6 of Section 19) of the DSU No. 1 Application Lands are owned by the United States of America in Trust for the Southern Ute Indian Tribe ("SUIT"), that being Lot 6 of Section 19. SUIT has provided a letter in support of this Application.

17. DSU No. 2 and DSU No. 3 Application Lands are owned in fee and Applicant holds oil and gas lease rights under certain tracts within each unit.

18. Hilcorp 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.

19. Land testimony and exhibits submitted in support of the Application by Robert Carlson, Landman for Hilcorp, show that Hilcorp holds oil and gas interests and has a right to drill in the Application Lands. Land testimony further showed that DSU No. 1, DSU No. 2, and DSU No. 3 will each be developed and operated from a surface location and surface facilities in San Juan County, New Mexico, approximately 10 feet south of the Colorado border in the NW/4 of Section 12, Township 32 North, Range 7 West, 6th P.M., which is within the boundaries of the Allison FEU on fee surface. Testimony further showed that there is no Relevant Local Government that regulates the siting of Oil and Gas Locations on lands in New Mexico.

20. Geologic testimony and exhibits submitted in support of the Application by Russell Crouch, Geologist for Hilcorp, show that the Mancos Formation is Late Cretaceous in age and made up of calcareous and argillaceous mudstones, and is present throughout the Application Lands.

21. Engineering testimony and exhibits submitted in support of the Application by Michael Mayfield, Reservoir Engineer for Hilcorp, showed that the plan for development of the Mancos Formation is based on spacing the laterals in the target interval roughly 1,000 feet apart from others being permitted nearby in the same interval to create an equally spaced development of the intervals in light of, and in conjunction with, laterals planned on the New Mexico side of the state line in the Mancos Formation. Engineering testimony further showed that the wells will be drilled horizontally from either east-to-west across the Application Lands, resulting in a lateral length of roughly 13,800 feet, or west-to-east, resulting in a lateral length of roughly 9,950 feet. Engineering testimony further showed that the requested setback for the completed interval of 600 feet from only those DSU boundaries that coincide with an exterior boundary of the federal Allison Unit and, separately, under the exemption afforded by Rule 401.d.(3), 5 feet from the remaining DSU boundaries situated within the interior of the Allison Unit area, is desirable and reasonable because it will maximize recoverable resources for the mineral owner and not negatively impact offset mineral owners due to their commitment to the Allison Unit Agreement which, upon the creation of a Mancos participating area, requires unit operator to perform a retroactive adjustment of all past production from the DSUs subject hereto that serves to proportionately allocate volumes on a fair and equitable basis as if all 3 DSUs were a single DSU.

22. Lastly, the engineering testimony shows that the approximate 389.29-acre DSU No.1 is not less than the maximum area than can be efficiently, economically, and effectively drained by one (1) horizontal wellbore producing gas and associated hydrocarbons from the Mancos Formation. The approximate 679.08-acre DSU No.2 is not less than the maximum area than can be efficiently, economically, and effectively drained by two (2) horizontal wellbores producing gas and associated hydrocarbons from the Mancos Formation. The approximate 880.87-acre DSU No.3 is not less than the maximum area than can be efficiently, economically, and effectively drained by two (2) horizontal wellbores producing gas and associated hydrocarbons from the Mancos Formation.

23. 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 resources resulting from oil and gas operations.

24. 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.

25. Hilcorp agreed to be bound by oral order of the Commission.

26. Based on the facts stated in the verified Application, having received no protests, and based on the Hearing Officer's review of the Application under Rule 505, the Commission should enter an order to: 1) establish an approximate 389.29-acre drilling and spacing unit for DSU No. 1 and approve one new horizontal well to be developed in such unit; 2) establish an approximate 679.08-acre drilling and spacing unit for DSU No. 2 and approve up to two new horizontal wells to be developed in such unit; and 3) establish an approximate 880.87-acre drilling and spacing unit for DSU No. 3 and approve up to two new horizontal wells to be developed in such unit, with the total of five horizontal wells to be developed in Colorado from a surface location in New Mexico for the production of oil, gas, and associated hydrocarbons from the Mancos Formation.

### ORDER

#### IT IS HEREBY ORDERED:

1. An approximate 389.29-acre Drilling and Spacing Unit for the DSU No. 1 Application Lands is hereby established for the development and operation of one horizontal well for the production of oil, gas, and associated hydrocarbons from the Mancos Formation.

2. An approximate 679.08-acre Drilling and Spacing Unit for the DSU No. 2 Application Lands is hereby established for the development and operation of two horizontal Wells for the production of oil, gas, and associated hydrocarbons from the Mancos Formation.

3. An approximate 880.87-acre Drilling and Spacing Unit for the DSU No. 3 Application Lands is hereby established for the development and operation of up to two horizontal Wells for the production of oil, gas, and associated hydrocarbons from the Mancos Formation.

4. The productive interval of the Well in DSU No. 1 will be no closer than 600 feet from the western unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the southern, eastern, and northern unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that the horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable.

5. The productive interval of the Wells in DSU No. 2 will be no closer than 600 feet from the eastern and northern unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the southern and western unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that each horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable.

6. The productive interval of the Wells in DSU No. 3 will be no closer than 600 feet from the western and northern unit boundary, and, under the exemption afforded by Rule 401.d.(3), 5 feet from the eastern and southern unit boundary; and, under the exemption afforded by Rule 401.d.(3), provide that each horizontal well shall be no closer than 1,000 feet from the productive interval of any other horizontal well producing from the same formation or common source of supply, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable.

7. The proposed wells shall be located on a surface location in New Mexico, unless an exception is granted by the Director.

8. The wells within the unit shall be drilled in an east-west or west-east orientation.

9. No oil and gas operations may be conducted in the Application Lands without an approved Form 2A, Oil and Gas Location Assessment (Form 2A) and approved Form 2, Applications for Permits to Drill (Form 2). The determination of whether an oil and gas location satisfies C.R.S. § 34-60-106(2.5)(a), 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 14<sup>th</sup> day of November, 2024, as of November 13, 2024.

ENERGY AND CARBON MANAGEMENT COMMISSION  
OF THE STATE OF COLORADO

By: \_\_\_\_\_

  
Elias J. Thomas, Commission Secretary