

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 FRUITLAND COAL) DOCKET NO. 241200307
FORMATION, IGNACIO BLANCO FIELD, LA PLATA)
COUNTY, COLORADO) TYPE: ADDITIONAL WELLS
)
) ORDER NO. 112-306

REPORT OF THE COMMISSION

The Commission heard this matter on April 23, 2025, at the Colorado Energy and Carbon Management Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to: 1) vacate Order No. 112-61; 2) vacate Order No. 112-157; 3) vacate Order No. 112-181; 4) vacate Order No. 112-197; 5) amend Order No. 112-242 to approve an additional two horizontal wells, for a total of three horizontal wells, within an established approximate 607.19-acre drilling and spacing unit established for the below-described lands (“Application Lands”) for the production from the Fruitland Coal Formation, and modify the subsurface setbacks to no closer than 600 feet from the boundaries of the unit and no closer than 25 feet from the productive interval of any other wellbore producing within the same common source or formation, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable:

Township 32 North, Range 7 West, N.M.P.M.
Section 20: All
Section 21: W½W½

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 201.d. provides that “[T]hese rules will not apply to: (1) Indian trust Lands and minerals; or (2) the Southern Ute Indian Tribe within the exterior boundaries of the Southern Ute Indian Reservation. The Commission’s Rules will apply to non-Indians conducting Oil and

Gas Operations on lands within the exterior boundaries of the Southern Ute Indian Reservation where both the surface and oil and gas estates are owned in fee by persons or entities other than the Southern Ute Indian Tribe, regardless of whether such lands are communitized or pooled.

6. 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.

7. On October 15, 1957, the Commission entered Order No. 112-1 which, among other things, established 320-acre drilling and spacing units for the production of gas from the Mesaverde pool of the Ignacio-Blanco Field and established 990' setbacks from the boundaries of the unit. E $\frac{1}{2}$ E $\frac{1}{2}$ of Section 19 and W $\frac{1}{2}$ of Section 20, Township 32 North, Range 7 West, N.M.P.M. and E $\frac{1}{2}$ of Section 20 and W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 21, Township 32 North, Range 7 West, N.M.P.M. are subject to Order No. 112-1.

8. On November 9, 1959, the Commission entered Order No. 112-6 which, among other things, established 320-acre drilling and spacing units for the production of gas from the Fruitland-Pictured Cliffs formation, each unit being the N $\frac{1}{2}$ and the S $\frac{1}{2}$ of each section with the permitted well for each unit located in the NW $\frac{1}{4}$ and the SE $\frac{1}{4}$ of the section and no closer than 990 feet from the boundaries of the quarter section upon which it is located. Sections 19, 20 and 21, Township 32 North, Range 7 West, N.M.P.M. are subject to this Order for the Fruitland Coal Formation.

9. On July 16, 1979, the Commission entered Order No. 112-46 which, among other things, amended Order No. 112-6 and approved an additional well for an approximate 320-acre drilling and spacing unit, for the production of oil, gas, and associated hydrocarbons from the Fruitland-Pictured Cliffs, Dakota-Morrison, and Mesaverde Formations. Order No. 112-46 does not affect this Application.

10. On June 17, 1988, the Commission entered Order No. 112-60 which, among other things, established 320-acre drilling and spacing units for production of gas from the Fruitland coal seams, with the permitted well to be located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line, including certain lands in Townships 32 through 34 North, Ranges 7 and 9 through 11 West, N.M.P.M., for the production of methane gas from the Fruitland coal seams. Sections 19, 20, and 21, Township 32 North, Range 7 West, N.M.P.M. are subject to this Order for the Fruitland Coal Formation.

11. On August 15, 1988, the Commission entered Order No. 112-61 which, among other things, amended parts of Order No. 112-60 and established additional rules, for the production of coalbed methane gas from the Fruitland coal seams. Sections 19, 20, and 21, Township 32 North, Range 7 West, N.M.P.M. are subject to this Order for the Fruitland Coal Formation. Applicant requested that Order No. 112-61 be vacated.

12. On May 15, 2000, the Commission entered Order No. 112-157 which allowed, among other things, an optional second Fruitland coal seam well to be drilled in each 320-acre drilling and spacing unit with such additional well being located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line, including certain lands in Townships 32 through 34 North, Ranges 7 and 9 through 11 West, N.M.P.M., for the production of methane gas from the Fruitland coal seams. Sections 19, 20, and 21, Township

32 North, Range 7 West, N.M.P.M. are subject to this Order for the Fruitland Coal Formation. Applicant requested that Order No. 112-157 be vacated.

13. On October 31, 2005, the Commission entered Order No. 112-181, which, among other things, approved the request for an order to establish up to four wells in each approximate 320-acre drilling and spacing unit in certain lands in Townships 32 through 34 North, Ranges 7 through 9 West, N.M.P.M., for the production of gas and associated hydrocarbons from the Fruitland coal seams. Applicant requested that Order No. 112-181 be vacated.

14. On November 27, 2006, the Commission entered Order No. 112-197 which allowed, among other things, an optional third or fourth well, for a total of up to four wells, to be drilled in each 320-acre drilling and spacing unit for certain lands in Townships 32 through 34 North, Ranges 7 and 9 through 11 West, N.M.P.M., for the production of methane gas from the Fruitland coal seams. Sections 19, 20, and 21, Township 32 North, Range 7 West, N.M.P.M. are subject to this Order for the Fruitland Coal Formation. Applicant requested that Order No. 112-197 be vacated.

15. On October 24, 2014, the Commission entered Order No. 112-242 which, among other things, (1) vacated two approximate 320-acre drilling and spacing units for portions of the Application Lands established by Order No. 112-60, (2) established an approximate 607.19-acre exploratory drilling and spacing unit for the Application lands allowing for one horizontal well within the unit for the production of oil, gas, and associated hydrocarbons from the Fruitland Coal Formation, (3) confirmed that upon the vacation of the two approximate drilling and spacing units established by Order No. 112-60, the E½E½ of Section 19, Township 32 North, Range 7 West, N.M.P.M. will be unspaced and will revert to Rule 318.a., (4) approved the productive interval of the wellbore will be located no closer than 600 feet from the unit boundaries, and no closer than 150 feet from the treated interval of another well producing from the same source of supply within the unit, without exception being granted by the Director, (5) confirmed that no well pads will be located within the unit for the development of the initial horizontal well within the unit, as the surface location is in Section 19, Township 32 North, Range 7 West, N.M.P.M., and confirmed the right to locate no more than four well pads within the unit for future development. Applicant requested that Order No. 112-242 be amended to reflect its request for two additional horizontal wells for the development and operation of the Fruitland Coal Formation.

16. On October 24, 2014, the Commission entered Order No. 112-243 which among other things, pooled all interests in the approximate 607.19-acre exploratory drilling and spacing unit established by Order No. 112-242 for the development and operation of the Fruitland Coal Formation, effective as of the earlier of the date of the Application, or the date that any of the costs specified in §34-60-116(7)(b), C.R.S. are first incurred for the drilling of the well

17. Applicant states that the horizontal wells will be drilled from a surface location within the Southern Ute Indian Tribe boundary and all development is subject to Rule 201.d.

18. Commission records reflect that there are four (4) vertical and/or directional wells located within the Application Lands:

Well Name	API No.	Location ID	Status	Operator
Southern Ute 8	05-067-05017	324977	SI	Red Willow Production Company
Southern Ute 11	05-067-08066	312057	PR	Red Willow Production Company

Ute 3A	05-067-06147	325314	PR	High River Resources Operating LLC
Ute 3	05-067-06026	325264	PR	High River Resources Operating LLC

Applicant states that it does not operate the above-referenced wells and the current Commission orders and/or permits will continue to apply to each well.

19. 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.

20. Land testimony and exhibits submitted in support of the Application by Robert Carlson, Landman for Hilcorp, showed that Hilcorp holds oil and gas interests and has a right to drill in the Application Lands.

21. The land testimony further showed that because tribal trust oil and gas will be penetrated and produced by the proposed wells, this Application is filed pursuant to the MOUs concerning the development of mineral resources on lands or interests beneficially owned by the Bureau of Indian Affairs in Trust for the Southern Ute Indian Tribe within the boundaries of the Southern Ute Indian reservation. Pursuant to the MOUs, and in further coordination with the BIA and BLM, the Applicant also is submitting this Application for the purpose of being able to obtain US Well Numbers for the well completions within the proposed drilling and spacing unit. US Well Numbers are required and necessary for obtaining BLM's approval of Applications for Permits to Drill for wellbores that enter into tribal trust minerals, and for obtaining approval from the BIA, with the concurrence of the BLM, for cooperative development and communitization agreements covering lands with different leases within an approved drilling and spacing unit.

22. Geologic testimony and exhibits submitted in support of the Application by Russell Crouch, Geologist for Hilcorp, testifying on behalf of Hilcorp, showed that the Fruitland Formation extends from the top of the Fruitland Coal Formation to the stratigraphic equivalent of 7,622 feet as picked in the Reese Mesa #2 Type Well and extends from the Base of the Kirtland (Top of the Fruitland Coal) to the Top of the Pictured Cliffs Sandstone.

23. Engineering testimony and exhibits submitted in support of the Application by Shane Smith, Reservoir Engineer for Hilcorp, showed that the drilling and spacing unit will prevent waste, protect correlative rights and provide for efficient and economic recovery of gas from the Fruitland Coal Formation as defined in the Application. The approximate 607.19-acre DSU is not less than the maximum area than can be efficiently, economically, and effectively drained by three (3) horizontal laterals producing gas and associated hydrocarbons from the Fruitland Coal Formation.

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 ensure a greater ultimate recovery of hydrocarbons, and will not violate correlative rights.

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

27. Based on the facts stated in the verified Application, having received no Rule 507 petitions, and based on the Hearing Officer review of the Application under Rule 505, the Commission should enter an order to approve up to two (2) additional horizontal wells, for a total of three (3) horizontal wells, within an established approximate 607.19-acre drilling and spacing unit for the below described Application Lands and to allow subsurface setbacks of no closer than 600 feet from the boundaries of the unit and no closer than 25 feet from the productive interval of any other wellbore producing within the same common source or formation, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable, for the production of oil, gas, and associated hydrocarbons from the Fruitland Coal Formation.

ORDER

IT IS HEREBY ORDERED:

1. Order Nos. 112-61, 112-157, 112-181, and 112-197, are hereby vacated.

2. Order No. 112-242 is hereby amended to allow an additional two horizontal wells, for a total of three horizontal wells, within an established approximate 607.19-acre drilling and spacing unit for the Application Lands within the unit for the development of the Fruitland Coal Formation, and allow subsurface setbacks of no closer than 600 feet from the boundaries of the unit and no closer than 25 feet from the productive interval of any other wellbore producing within the same common source or formation for the development of the Fruitland Coal Formation, unless authorized by Rule 401.c or Rule 408.u.(1) as applicable.

3. 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.

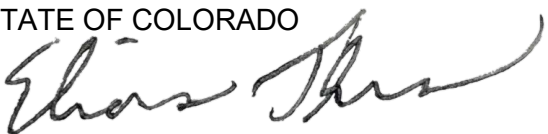
3. Under the State Administrative Procedure Act, the Commission considers this Order to be final agency action for purposes of judicial review within 35 days after the date this Order is mailed by the Commission.

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

ENTERED this 23rd day of April 2025, as of April 23, 2025.

ENERGY AND CARBON MANAGEMENT COMMISSION
OF THE STATE OF COLORADO

By



Elias J. Thomas, Commission Secretary