



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

IN THE MATTER OF THE PROMULGATION AND) CAUSE NO. 421
ESTABLISHMENT OF FIELD RULES TO)
GOVERN OPERATIONS IN THE HEREFORD) ORDER NO. 421-2
FIELD, WELD COUNTY, COLORADO)

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission at 9:00 a.m. on April 29, 2010, in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to approve an additional horizontal well, for a total of up to two wells, for the established approximate 640-acre drilling and spacing unit for Section 36, Township 12 North, Range 63 West, 6th P.M.

FINDINGS

The Commission finds as follows:

1. EOG Resources, Inc. ("EOG"), 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. On February 22, 2010, the Commission entered Order No. 421-1, which among other things, established an approximate 640-acre drilling and spacing unit for Section 36, Township 12 North, Range 63 West, 6th P.M. ("Application Lands"), and approved one horizontal well in said unit, for the production of oil and associated hydrocarbons from the Niobrara Formation, with the horizontal leg of the permitted well to be no closer than 600 feet to the outside boundary of the drilling and spacing unit and the terminus of the horizontal leg no closer than 600 feet to the outside boundary of the drilling and spacing unit, without exception being granted by the Director of the Commission.
5. On February 3, 2010, EOG, by its attorneys, filed with the Commission a verified application for an order to approve an additional horizontal well, for a total of up to two horizontal wells drilled from a common pad, for the established approximate 640-acre drilling and spacing unit for the Application Lands for the production of oil and associated hydrocarbons from the Niobrara Formation, with the horizontal leg of the permitted additional well to be no closer than 600 feet to the outside boundary of the drilling and spacing unit and the terminus of the horizontal leg no closer than 600 feet to the outside boundary of the drilling and spacing unit.
6. On April 16, 2010, EOG, by its attorney, 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.
7. Testimony and exhibits submitted in support of the application showed that EOG has 100% leasehold ownership in the Application Lands, that the minerals underlying the Application Lands are owned by the State of Colorado, that the surface of the Application Lands is owned by the State of Colorado, and that EOG plans to drill a second horizontal well on the Application Lands from a common well pad.
8. Testimony and exhibits submitted in support of the application showed that the Niobrara Formation is a sequence of chinks, marls, and limestones deposited as deep water sediments in the Western Interior Seaway during the Cretaceous period that underlies most of the Denver-Julesburg Basin in parts of northeastern Colorado, southeastern Wyoming, and southwestern Nebraska. Additional testimony and exhibits showed that the total thickness from the top of the Niobrara Formation to the top of the Codell Formation underlying the Application Lands is approximately 274 feet to 282 feet with a regional dip of approximately 35 feet per mile to the west. Further testimony and exhibits showed that the Niobrara Formation consists of two members, the Smoky Hill Chalk and the Ft Hayes Limestone. Further testimony and exhibits demonstrated that the Niobrara Formation exists under the Application Lands and is a common source of supply.
9. Testimony and exhibits in support of the application showed that EOG has drilled and stimulated the first exploratory well, the Jake 2-01H Well, on lands adjacent to the Application Lands in the 3rd quarter of 2009, and that the well was drilled horizontally with a 3,800 foot lateral. Additional testimony and exhibits showed that the Jake 2-01H Well delivered a maximum rate of 1,588 barrels of oil per day

("bopd") and has flowed over 50,000 barrels of oil in less than 90 days prior to being shut-in. Additional testimony and exhibits showed that EOG has drilled four additional wells since the Jake 2-01H Well was completed. Further testimony and exhibits showed that the second horizontal test in the area of the Application Lands, the Elmer 8-31H Well, located in Section 31, Township 12 North, Range 63 West, was drilled and completed with a 2,000 foot lateral section in the Niobrara Formation (due to hole problems) and had a maximum rate of 730 bopd. Further testimony and exhibits showed that the third horizontal test well, the Red Poll 10-16H Well, located in Section 16, Township 11 North, Range 63 West, has a lateral length of 5,200 feet and was tested by unstimulated openhole at a maximum rate of 1,100 bopd. Further testimony indicated that the Critter Creek 2-3H and 4-9H Wells are awaiting completion and have encountered encouraging pressure while drilling the laterals.

10. The Commission should take administrative notice of the testimony and evidence supporting the application that resulted in Order No. 421-1, Cause No. 421, Docket No. 1002-SP-06.

11. Further testimony and exhibits indicated that an additional horizontal well on the Application Lands is necessary to (a) have an early test to determine if downspacing to 320-acres is necessary on the already established 640-acre drilling and spacing unit, and (b) determine incremental recovery potential, prevent waste, and indicate the efficient and economic development of the Application Lands.

12. The above-referenced testimony and exhibits showed that the granting of the application will allow more efficient reservoir drainage, will prevent waste, will assure a greater ultimate recovery of oil/gas, and will not violate correlative rights.

13. EOG agreed to be bound by oral order of this Commission.

14. 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 approve an additional horizontal well, for a total of up to two wells, for the established approximate 640-acre drilling and spacing unit for Section 36, Township 12 North, Range 63 West, 6th P.M.

ORDER

NOW, THEREFORE IT IS ORDERED, that an additional horizontal well is hereby approved, for a total of up to two horizontal wells drilled from a common pad, for the established approximate 640-acre drilling and spacing unit for Section 36, Township 12 North, Range 63 West, 6th P.M., for the production of oil and associated hydrocarbons from the Niobrara Formation.

IT IS FURTHER ORDERED, that the horizontal leg of the additional permitted well shall not be closer than 600 feet to the outside boundary of the drilling and spacing unit and the terminus of the horizontal leg shall not be closer than 600 feet to the outside boundary of the drilling and spacing unit, without exception being granted by the Director of the Commission.

IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

IT IS FURTHER ORDERED, that under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review within thirty (30) days after the date this order is mailed by the Commission.

IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

ENTERED this 18th day of May, 2010, as of April 29, 2010.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By Carol Harmon
Carol Harmon, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
May 18, 2010