

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

IN THE MATTER OF THE APPLICATION )  
OF ORR ENERGY LLC FOR AN ORDER )  
ESTABLISHING A SPACING UNIT AND )  
POOLING CERTAIN INTERESTS FOR )  
PRODUCTION OF OIL AND GAS FROM )  
THE J SAND, CODELL AND NIOBRARA )  
FORMATIONS UNDERLYING CERTAIN )  
LANDS IN WELD COUNTY, COLORADO )

CAUSE NO. 381

DOCKET NO. \_\_\_\_\_

**APPLICATION**

The Applicant, Orr Energy LLC ("Orr Energy"), by and through its undersigned counsel, respectfully petitions the Oil and Gas Conservation Commission of the State of Colorado (the "Commission") for an order establishing a 160-acre spacing unit for production from the J Sand, Codell and Niobrara formations from the AG #32-65D well and pooling all interests therein.

**BACKGROUND**

1. Orr Energy is a limited liability company duly authorized to conduct business in the State of Colorado.
2. Orr Energy owns oil and gas leasehold interests in the NE1/4 Section 32 Township 6 North, Range 66 West, 6th P.M., Weld County, Colorado ("Section 32" hereinafter).
3. Orr Energy has drilled the AG #32-65D, a "five spot" well to be produced from a 160-acre unit composed of the NE1/4 of Section 32.
4. Orr Energy has also drilled the AG #32-31D and the AG #32-32D wells which are producing from an 80-acre unit composed of the W1/2NE1/4 of Section 32, and the PRR #32-42 and AG #32-41 wells which are producing from an 80-acre unit composed of the E1/2NE1/4 of Section 32.
3. On June 27, 1983, the Commission entered Order No. 381-1 which established 80-acre drilling and spacing units for production of oil, gas and associated hydrocarbons from the Codell formation underlying the NE1/4 of Section 32. By Order No 381-2, the Niobrara formation was included in the spaced area, by Order No 381-3 multiple completion and downhole commingling was authorized for production from the Codell and Niobrara formations in the spaced area, and by Order No 381-5, an additional well was allowed to be drilled in each 80-acre drilling and spacing unit in the spaced area. The J Sand formation in the NE1/4 of Section 32 is unspaced.

4. Commission Rule 318A(a)(4)(b) authorizes the drilling of an additional "five-spot" well to a bottom hole location within an 800' by 800' square in the center of each quarter section of Section 32, for production of Cretaceous Age formations including the Niobrara, Codell and J Sand formations, and with respect to any such well the establishment of a voluntary drilling and spacing unit consisting of the governmental quarter section, or the filing of an application with the Commission to establish such a unit.

### **SPACING REQUEST**

5. In its application to drill the above referenced well, Orr Energy has declared the NE1/4 of Section 32 as the wellbore drilling unit for this "five-spot" well, for production from the J Sand, Codell and Niobrara formations.

6. Colorado Revised Statute Section 34-60-116(4) authorizes the Commission to establish drilling and spacing units in order to prevent or assist in preventing waste, avoid the drilling of unnecessary wells, and/or protect correlative rights.

7. Commission Rule 318A(a)(4)B authorizes the Commission to establish a 160-acre drilling and spacing unit for wells drilled to the J Sand, Codell and Niobrara formations, when the bottom-hole location of such well is within a square with sides of 800 feet located in the center of the NE1/4 of Section 32.

8. Previous testimony before the Commission has therefore established that a 160-acre wellbore drilling and spacing unit is not less than the maximum area than can be efficiently, economically and effectively drained by a well producing oil, gas and associated hydrocarbons from the J Sand, Codell and Niobrara formations underlying said NE1/4 of Section 32.

9. Orr Energy requests that the Commission establish a 160-acre wellbore drilling and spacing unit consisting of the NE1/4 of Section 32, for production from the J Sand, Codell and Niobrara formations from the AG #32-65D well.

10. The establishment of such a unit will prevent or assist in preventing waste by assuring that the AG #32-65D well may be completed and produced without prejudice to the rights of other leasehold or mineral owners, and ensure that the pool as a whole may be efficiently and economically developed.

11. The establishment of such a wellbore spacing unit will protect the correlative rights of both leasehold owners and mineral owners in the NE1/4 of Section 32.

### **INVOLUNTARY POOLING REQUEST**

12. Colorado Revised Statute Section 34-60-116 authorizes the Commission to pool separately owned interests located within a drilling unit, for the development and operation of a well.

13. Orr Energy has furnished in writing the owners' share of drilling and completion costs, to all other leasehold owners in the NE1/4 of Section 32, which are listed on Exhibit A, giving them the opportunity to participate in the proposed well. J. Cleo Thompson and James Cleo Thompson Jr., a partnership, has agreed to bear its proportional share of costs. The applicant is negotiating with Chaparral Resources and Murray J. Herring for assignment or farm-out of their leasehold interests, but to date these and the other leasehold interest owner have not agreed to bear their proportional share of costs.

14. An Order of the Commission pooling all interests in the unit composed of the NE1/4 of Section 32, for production from the AG #32-65D well, is necessary in order to afford each owner of an interest in such unit the opportunity to recover and receive its just and equitable share of the oil and/or gas from the common source of supply underlying the Unit.

15. The granting of such an Order would not be prejudicial to the owners in the unit and would protect correlative rights.

16. The granting of such an Order would prevent or assist in preventing waste and would insure that the pool as a whole may be efficiently and economically developed.

### **REQUEST FOR HEARING AND ORDER**

WHEREFORE, Orr Energy prays that this matter be set for hearing on November 29 or 30, 2010, Notice of said Hearing be given as required by law, if no protests are timely received the matter be considered pursuant to Rule 511(b), and the Commission enter an Order to:

A. Confirm the 160-acre wellbore spacing unit consisting of the NE1/4 of Section 32 for production of oil and gas from the Codell, Niobrara and "J" Sand formations, with commingling of production being authorized and determined in accordance with Rule 318A.

B. Pooling all interests in the NE1/4 of Section 32 with respect to production of the Codell, Niobrara and "J" Sand formations from the AG #32-65D well, and that such pooling Order:

(1) be upon terms and conditions that are just and reasonable and that afford to the owner of each interest the opportunity to recover or receive, without unnecessary expense, his just and equitable share of oil and gas;

(2) provide that production obtained from the pooled unit be allocated to each owner therein on the basis of the proportion that the number of mineral acres held by each owner in the drilling unit bears to the total number of mineral acres within the drilling unit;

(3) provide that Orr Energy be allowed to recover from any non-consenting owner's share of production the penalty costs as provided in Colorado Revised Statute Section 34-60-116 (7); and

(4) require Orr Energy to provide each non-consenting interest owner in the unit with monthly statement of costs incurred together with the quantity of oil and gas produced and proceeds realized, pursuant to C.R.S. §34-60-116(8).

RESPECTFULLY SUBMITTED this \_\_\_\_\_ day of October, 2010.

**LOHF SHAIMAN JACOBS HYMAN & FEIGER PC**

By: \_\_\_\_\_  
J. Michael Morgan, Esq.

**Orr Energy=s Address:**

1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

**EXHIBIT "A"**  
**TO**  
**APPLICATION OF ORR ENERGY LLC**

**Interested Parties in the NE1/4 of Section 32,  
Township 6 North, Range 66 West**

**Applicant:**

Orr Energy, LLC  
1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

**Applicant's Attorney:**

J. Michael Morgan, Esq.  
Lohf Shaiman Jacobs Hyman & Feiger PC  
950 South Cherry Street, Suite 900  
Denver, CO 80246

**Local Government Designee:**

Bruce T. Barker, Esq.  
Weld County Commissioner Office  
P.O. Box 758  
Greeley, CO 80634

**Oil & Gas Mineral Owners:**

Tollgate Farms, Inc.  
11530 Gallant Ridge Road  
Houston, TX 77082

Orr Resources, LLC  
1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

Noble R. Benson  
30942 Rocky Road  
Greeley, CO 80631

Charles Arthur Cannon and  
Kelly Rae Cannon, JT  
30878 Rocky Road  
Greeley, CO 80631

Kim Davis  
30856 Rocky Road  
Greeley, CO 80631

Aggregate Industries-WCR, Inc.  
1707 Cole Blvd. #100  
Golden, CO 80401

Harrison Resources Corporation  
2725 Rocky Mountain Avenue, Suite 400  
Loveland, CO 80538

William H. Webster  
1850 26<sup>th</sup> Avenue  
Greeley, CO 80634

James E. Whitmore  
3337 S. Xanthia Court  
Denver, CO 80231

Union Central Life Insurance Company  
876 Waycross Road  
Cincinnati, OH 45240

**Oil & Gas Lessees:**

Orr Energy, LLC  
1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

Chaparral Resources, Inc.  
Bolshaya Ordynka  
1, Moscow, OT  
Russian Federation 115035

Murray J. Herring  
c/o Top Operating Company  
10881 W. Asbury Avenue, Suite 230  
Lakewood, CO 80227

Noble Energy, Inc.  
1625 Broadway, Suite 2200  
Denver, CO 80202

J. Cleo Thompson and James Cleo  
Thompson, Jr., a partnership  
c/o Thompson Petroleum Corporation  
325 N. Saint Paul Street, Suite 4300  
Dallas, TX 75201

**VERIFICATION**

STATE OF COLORADO    )  
  )  
COUNTY OF WELD        )        **ss.**

The undersigned, of lawful age, having been first sworn upon her oath, deposes and states that:

1.       She is a Certified Professional Landman who maintains her office at 1711 61st Avenue, Suite 204, Greeley, Colorado 80634.
2.       She is a consultant for the Applicant, Orr Energy, LLC.
3.       She has read the within Application, is familiar with the facts set forth therein, and states that said facts are true and correct to the best of her knowledge and belief.

Further Affiant sayeth not.

\_\_\_\_\_  
Cynthia A. E. Zeren, CPL

Subscribed and sworn to before me this \_\_\_\_\_ day of October, 2010.

Witness my hand and official seal.  
My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

## CERTIFICATE OF MAILING

I hereby certify that on the \_\_\_\_\_ day of October, 2010, a true and correct copy of the foregoing was mailed via U.S. First-Class Mail, postage prepaid, to the following:

Orr Energy, LLC  
1813 61<sup>st</sup> Avenue, Suite 200  
Greeley, CO 80634

Orr Resources, LLC  
1813 61<sup>st</sup> Avenue, Suite 200  
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Kim Davis  
30856 Rocky Road  
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Tonja L. Hoisington, Paralegal