

October 24, 2012

To Whom It May Concern:

On February 11, 2011, the Commission entered Order No. 535-4 which, among other things, established 74 approximate 640-acre drilling and spacing units, and approved one horizontal well within each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation. Order No. 535-4 incorrectly stated the Application Lands were subject to Rule 318.a., contained misleading language which could be interpreted as approving surface locations inconsistent with Rule 318A, and incorrectly required 600 foot setbacks from the boundaries of each unit.

On October 18, 2012, the Commission, on its own motion pursuant to Rule 502, initiated this proceeding to approve corrections to Order 535-4 by: 1) correcting Order 535-4 to state the Application Lands are subject to Rule 318A; 2) add clarifying language stating the surface location for any authorized well may be located anywhere on the surface, consistent with Rule 318A; and 3) require 460 foot setbacks from unit boundaries, consistent with Rule 318A.

The Order No. and Cause No. have also been modified to reflect that the Application Lands are in the Wattenberg Field, Cause No. 407.

You are receiving this Notice because your name was included on the Applicant's original list of Interested Parties.

If you have any questions related to this matter, please do not hesitate to contact me.

Sincerely,



Roger M. Allbrandt
Hearings Officer
Colorado Oil & Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203
303-894-2100 ext. 5125
roger.allbrandt@state.co.us

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

IN THE MATTER OF THE PROMULGATION AND)	CAUSE NO. 407 & 535
ESTABLISHMENT OF FIELD RULES TO GOVERN)	
OPERATIONS IN THE WATTENBERG FIELD,)	DOCKET NO. 1102-SP-07
WELD COUNTY, COLORADO)	

NOTICE OF HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

Rule 502 provides, among other things, that the Colorado Oil and Gas Conservation Commission ("COGCC" or "Commission") may, on its own motion, initiate proceedings upon any questions relating to conservation of oil and gas or the conduct of oil and gas operations in the State of Colorado or to the administration of the Act, by notice of hearing.

On April 27, 1988, the Commission adopted Rule 318A, which among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all Cretaceous Age Formations from the base of the Dakota Formation to the surface. Rule 318A supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of Greater Wattenberg Area wells. On December 5, 2005, Rule 318A was amended, among other things, to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. The below-described lands ("Application Lands") are subject to Rule 318A for the Niobrara Formation:

Township 4 North, Range 61 West, 6th P.M.

Sections: 1 through 5, 7, 8, 10 through 12, 14, 15, and 17 through 23

Township 4 North, Range 62 West, 6th P.M.

Sections: 1 through 4 and 9 through 15

Township 5 North, Range 61 West, 6th P.M.

Sections: 19 through 21, 25 through 30, and 33 through 36

Township 5 North, Range 62 West, 6th P.M.

Sections: 22, 23, 25 through 27, and 34 through 36

Township 6 North, Range 61 West, 6th P.M.

Sections: 7, 8, 17 through 21, and 28 through 30

Township 6 North, Range 62 West, 6th P.M.

Sections: 1 through 3, 10 through 15, 22 through 27, 34, and 35

On February 11, 2011, the Commission entered Order No. 535-4 which, among other things, established 74 approximate 640-acre drilling and spacing units, and approved one horizontal well within each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation. Order No. 535-4 incorrectly stated the Application Lands were subject to Rule 318.a., contained misleading language which could be interpreted as approving surface locations inconsistent with Rule 318A, and incorrectly required 600 foot setbacks from the boundaries of each unit.

On October 18, 2012, the Commission, on its own motion, initiated this proceeding to approve corrections to Order 535-4 by: 1) correcting Order 535-4 to state the Application Lands are subject to Rule 318A; 2) add clarifying language stating the surface location for any authorized well may be located anywhere on the surface, consistent with Rule 318A; and 3) require 460 foot setbacks from unit boundaries, consistent with Rule 318A.

NOTICE IS HEREBY GIVEN, pursuant to: (1) the general jurisdiction granted to the Oil and Gas Conservation Commission of the State of Colorado under § 34-60-105, C.R.S.; (2) specific powers granted pursuant to § 34-60-105, C.R.S.; (3) the Colorado Administrative Procedures Act at § 24-4-105, C.R.S.; and (4) the Commission's Series 500 Rules at 2CCR 404-1, that the Commission has scheduled the above-entitled matter for hearing on:

Date: Thursday, November 15, 2012
Friday, November 16, 2012

Time: 9:00 a.m.


Place: Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 5139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than October 31, 2012, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of October 31, 2012.** Pursuant to Rule 503.g., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules. In accordance with the practices of the Commission, should no protests or interventions be filed in this matter by **October 31, 2012, the Applicant may request that an administrative hearing be scheduled during the week of October 31, 2012.** In the alternative, pursuant to Rule 511., if the matter is uncontested, the applicant may request, and the Director may recommend approval on the basis of the merits of the verified application and the supporting exhibits.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Robert J. Frick, Secretary

Dated: October 24, 2012

Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203
Website: <http://cogcc.state.co.us>
Phone: (303) 894-2100
Fax: (303) 894-2109

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

IN THE MATTER OF THE PROMULGATION AND) CAUSE NO. 407
ESTABLISHMENT OF FIELD RULES TO GOVERN)
OPERATIONS IN THE WATTENBERG FIELD,) ORDER NO. 407-XX
WELD COUNTY, COLORADO) CORRECTED

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission heard this matter on February 22, 2011, in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to establish 74 approximate 640-acre drilling and spacing units for certain lands in Townships 4, 5 and 6 North, Ranges 61 and 62, 6th P.M., and allow one horizontal well in each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

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 April 27, 1988, the Commission adopted Rule 318A, which among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all Cretaceous Age Formations from the base of the Dakota Formation to the surface. Rule 318A supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of Greater Wattenberg Area wells. On December 5, 2005, Rule 318A was amended to, among other things, allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. The below-described lands ("Application Lands") are subject to this Rule for the Niobrara Formation:**

Township 4 North, Range 61 West, 6th P.M.

Sections: 1 through 5, 7, 8, 10 through 12, 14, 15, and 17 through 23

Township 4 North, Range 62 West, 6th P.M.

Sections: 1 through 4 and 9 through 15

Township 5 North, Range 61 West, 6th P.M.

Sections: 19 through 21, 25 through 30, and 33 through 36

Township 5 North, Range 62 West, 6th P.M.

Sections: 22, 23, 25 through 27, and 34 through 36

Township 6 North, Range 61 West, 6th P.M.

Sections: 7, 8, 17 through 21, and 28 through 30

Township 6 North, Range 62 West, 6th P.M.

Sections: 1 through 3, 10 through 15, 22 through 27, 34, and 35

5. On November 24, 2010, EOG, by its attorneys, filed with the Commission a verified application (the "Application") to establish 78 approximate 640-acre drilling and spacing units for the Application Lands, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, and allow one horizontal well in each of the units, with the initial perforation of the Niobrara Formation and ultimate bottomhole location no closer than 600 feet from the boundaries of the unit:

Township 4 North, Range 61 West, 6th P.M.

Sections: 1 through 5, 7, 8, 10 through 12, 14, 15, and 17 through 23

Township 4 North, Range 62 West, 6th P.M.

Sections: 1 through 4 and 9 through 15

Township 5 North, Range 61 West, 6th P.M.

Sections: 19 through 21, 25 through 30, and 33 through 36

Township 5 North, Range 62 West, 6th P.M.
Sections: 22, 23, 25 through 27, and 34 through 36

Township 6 North, Range 61 West, 6th P.M.
Sections: 7, 8, 17 through 21, and 28 through 30

Township 6 North, Range 62 West, 6th P.M.
Sections: 1 through 3, 10 through 15, 22 through 27, 34, and 35

6. On February 3, 2011, EOG, by its attorneys, filed with the Commission a written request to approve the Application based on the merits of the verified Application and the supporting exhibits as is provided for by Rule 511. Sworn written testimony and exhibits were submitted in support of the Application.

7. On February 4, 2011, an Amended Notice of Hearing was served on the interested parties and published, which allowed any protests/interventions to be filed by Feb. 16, 2011.

8. On February 14, 2011, EOG, by its attorneys, filed a written request with the Commission to withdraw the below-listed lands from the Application:

Township 6 North, Range 61 West, 6th P.M.
Section: 8

Township 6 North, Range 62 West, 6th P.M.
Sections: 1, 2 and 12

9. Land testimony and exhibits submitted in support of the Application by Jason McLaren, Landman for EOG, showed that EOG has either fully or partially leased the mineral interests in the Application Lands. A majority of the surface and mineral ownership in the Application Lands is owned in fee. There are portions of the Application Lands, both surface ownership and mineral ownership that are owned by the State of Colorado and the federal government.

10. Geology testimony and exhibits submitted in support of the Application by John Melby, Petroleum Geologist for EOG, showed that the Niobrara Formation shows a regional dip of approximately 25 feet to 50 feet per mile to the west. The total thickness of the Niobrara Formation ranges from approximately 253 feet to 285 feet under the proposed spaced area with the thickest area in the northern portion of the proposed spaced area. Type logs and cross sections show that the Niobrara Formation exists under the entirety of the Application Lands. The Niobrara Formation within the Application Lands consists of two members, the Smoky Hill Chalk and Ft. Hayes Limestone.

11. Engineering testimony and exhibits submitted in support of the Application by Osman Apaydin, Reservoir Engineer for EOG, showed that the production history on, or adjacent to, the Application Lands is limited to mostly vertical wells of different vintages. Niobrara Formation vertical well oil production performance is highly variable. Vertical wells completed in 2005 through 2007 have an average estimated ultimate recovery of about 3,300 bbls. This yield a one to five acre average drainage area. The projected estimated ultimate recovery of the vertical wells in the area show that vertical development program does not result in consistent and efficient exploitation of the resource potential. Further, the Niobrara Formation may be a high-rate fracture play only, or may have additional matrix contribution to the complex fracture network. EOG has been extensively testing multiple completion techniques at the Hereford Field, in order to maximize recoverable reserves. Using the Hereford Field production as an analogy for production from the Application Lands, estimated ultimate recovery estimates for the drilled horizontal wells in the Hereford Field, with limited production history, vary between 130,000 to 285,000 bbls. Estimated original oil in place is between 2,600,000 and 5,700,000 bbls. This range yields estimated drainage areas between 92 acres to 202 acres. The estimated drainage area calculations presented assume that there is matrix contribution and if Niobrara development results in a fracture-only play then estimated drainage areas could be more than what is presented here, which necessitates 640-acre drilling and spacing units for the Application Lands.

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

13. EOG agreed to be bound by oral order of the 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 establish 74 approximate 640-acre drilling and spacing units for certain lands in Townships 4, 5 and 6 North, Ranges 61 and 62, 6th P.M., and allow one horizontal well in each unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation.

ORDER

NOW, THEREFORE IT IS ORDERED, that 74 approximate 640-acre drilling and spacing units are hereby established for the below-listed lands, and one horizontal well is approved for each of the units, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation **with the treated interval of the permitted wellbore to be located no closer than 460 feet from the boundaries of the proposed unit:**

Township 4 North, Range 61 West, 6th P.M.

Sections: 1 through 5, 7, 8, 10 through 12, 14, 15, and 17 through 23

Township 4 North, Range 62 West, 6th P.M.

Sections: 1 through 4 and 9 through 15

Township 5 North, Range 61 West, 6th P.M.

Sections: 19 through 21, 25 through 30, and 33 through 36

Township 5 North, Range 62 West, 6th P.M.

Sections: 22, 23, 25 through 27, and 34 through 36

Township 6 North, Range 61 West, 6th P.M.

Sections: 7, 17 through 21, and 28 through 30

Township 6 North, Range 62 West, 6th P.M.

Sections: 3, 10, 11, 13 through 15, 22 through 27, 34, and 35

IT IS FURTHER ORDERED, that the surface location for any permitted horizontal well shall be located anywhere in the designated drilling and spacing unit, **consistent with Rule 318A**, without exception being granted by the Director of the Commission.

IT IS FURTHER ORDERED, that the provisions contained in the above order shall become effective immediately.

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 8th day of March, 2011, as of February 22, 2011.

CORRECTED this ___ day of October, 2012, as of February 22, 2011.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Robert J. Frick, Secretary