



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

IN THE MATTER OF THE APPLICATION OF NOBLE)	CAUSE NO. 535
ENERGY, INC. FOR AN ORDER TO VACATE UNITS)	
ESTABLISHED BY ORDER NOS. 535-3, 535-110, AND)	DOCKET NO. 1303-SP-50
535-125, AND TO ESTABLISH AN APPROXIMATE)	
3200-ACRE UNIT FOR SECTIONS 3, 4, 9, 10 AND 16,)	ORDER NO. 535-302
TOWNSHIP 9 NORTH, RANGE 58 WEST, 6 TH P.M.,)	
FOR THE CODELL-NIOBRARA FORMATION,)	
UNNAMED FIELD, WELD COUNTY, COLORADO)	

REPORT OF THE COMMISSION

The Commission heard this matter on March 25, 2013, at the offices of the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Denver, Colorado, upon application for an order to: 1) vacate four approximate 640-acre drilling and spacing units established by Order No. 535-3 for Sections 3, 4, 9 and 10, Township 9 North, Range 58 West, 6th P.M.; 2) vacate pooling Order No. 535-110 for Section 10, Township 9 North, Range 58 West, 6th P.M.; 3) vacate the approximate 640-acre drilling and spacing unit established by Order No. 535-125 for Section 16, Township 9 North, Range 58 West, 6th P.M.; and 4) establish an approximate 3,200-acre unit for Sections 3, 4, 9, 10 and 16, Township 9 North, Range 58 West, 6th P.M., and approve an appropriate number of wells to effectively and efficiently drain the reservoir, for the production of oil, gas and associated hydrocarbons from the Codell-Niobrara Formation.

FINDINGS

The Commission finds as follows:

1. Noble Energy, LLC ("Noble" 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 all persons and property, public and private, necessary to enforce the provisions of the Oil and Gas Conservation Act ("Act"), and has the power to make and enforce rules, regulations, and orders pursuant to the Act, and to do whatever may reasonably be necessary to carry out the provisions of the Act. §34-60-105 C.R.S. The Commission has the authority to regulate the drilling, producing and spacing of wells. §34-60-106(2) C.R.S.
4. The Commission finds it has jurisdiction over the subject matter embraced in said Notice, and that the Notice provided meets all requirements of law.
5. On February 22, 2011, the Commission entered Order No. 535-3 which, among other things, established 160 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. Sections 3, 4, 9 and 10, Township 9 North, Range 58 West, 6th P.M. are subject to this Order for the Niobrara Formation.

6. On December 12, 2011, the Commission entered Order No. 535-110 which, among other things, pooled all interests in an approximate 640-acre drilling and spacing unit established for Section 10, Township 9 North, Range 58 West, 6th P.M. for the Niobrara Formation.

7. On January 23, 2012, the Commission entered Order No. 535-125 which, among other things, established an approximate 640-acre drilling and spacing unit, and approved one or more horizontal and one or more vertical wells for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations. Section 16, Township 9 North, Range 58 West, 6th P.M. is subject to this Order for the Codell and Niobrara Formations.

8. On January 24, 2013, Noble, by its attorneys, filed with the Commission, a verified application ("Application") for an order to: 1) vacate the approximate 640-acre drilling and spacing units established by Order No. 535-3 for Sections 3, 4, 9 and 10, Township 9 North, Range 58 West, 6th P.M.; 2) vacate pooling Order No. 535-110 for Section 10, Township 9 North, Range 58 West, 6th P.M.; 3) vacate the approximate 640-acre drilling and spacing unit established by Order No. 535-125 for Section 16, Township 9 North, Range 58 West, 6th P.M.; and 4) establish an approximate 3,200-acre unit for the below-described lands ("Application Lands"), and approve the request for an appropriate number of wells to effectively and efficiently drain the reservoir, for the production of oil, gas and associated hydrocarbons from the Codell-Niobrara Formation, with the treated interval of the wellbore to be located no closer than 600 feet from the unit boundaries, and no closer than 150 feet from the treated interval of any other wellbore located in the unit, without exception being granted by the Director:

Township 9 North, Range 58 West, 6th P.M.

Section 3:	All
Section 4:	All
Section 9:	All
Section 10:	All
Section 16:	All

Applicant requests the permitted wells be drilled from no more than eight well pads per section on the Application Lands, unless an exception is granted by the Director.

Applicant requests that the Commission exclude any and all vertical or directional wells drilled and completed to the Codell-Niobrara Formation (or the Codell or Niobrara Formation individually, as indicated on the applicable Application for Permit to Drill – "APD") from the proposed unit. Any production from vertical or directional wells drilled and completed to the Codell-Niobrara Formation (or the Codell or Niobrara Formation individually, as indicated on the applicable APD) shall continue to be allocated on the current payment of production basis and such allocation shall not be effected by the approval of this Application.

Applicant requests that the Commission include any and all horizontal wells drilled and completed to the Codell-Niobrara Formation (or the Codell or Niobrara Formation individually, as indicated on the applicable APD) in the proposed unit.

9. On March 12, 2013, Noble, 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. Sworn written testimony and exhibits were submitted in support of the Application.

10. Land testimony and exhibits submitted in support of the Application by Zach Shearon, Land Negotiator for Noble, showed the surface of the Application Lands is owned in fee and state minerals, the mineral ownership of the Application Lands is held in fee and federal, and that Noble owns a partial leasehold ownership interest in the Application Lands.

11. Geologic testimony and exhibits submitted in support of the Application by Alicia Branch, Senior Geologist for Noble, showed the Codell-Niobrara Formation is both a hydrocarbon source rock and a reservoir. An isopach map of the Codell-Niobrara Formation showed total thickness is averages 10 to 11 feet for the Codell and 255 to 265 feet for the Niobrara in the Application Lands. Cross Section and well logs of showed the Codell-Niobrara Formation to be consistent, continuous, and underlying all of the Application Lands as a common source of supply. Microseismic results during hydraulic fracturing of nearby type wells showed seismic events showed the Codell-Niobrara Formation may be produced as a single formation.

12. Engineering testimony and exhibits submitted in support of the Application by Chandler Newhall, Senior Production Engineer for Noble, showed downspaced horizontal laterals would improve recovery from 0.14% for vertical development to 9.63% for horizontal development, with an estimated ultimate recovery ("EUR") of 276,000 barrels of oil and 414,000 MCF of gas per well. Testimony concluded the use of horizontal well technology with would significantly increase hydrocarbon recovery from the reservoir and thereby prevent waste, minimize surface disturbance, and protect correlative rights. An economic analysis showed the project is sound.

13. 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 hydrocarbons, and will not violate correlative rights.

14. Noble agreed to be bound by oral order of the Commission.

15. The Commission finds that the unconventional resource unit shall be considered a drilling and spacing unit established by the Commission for purposes of Rule 530.a.

16. The Commission requested that this matter be set for review by the Commission in one year.

17. Based on the facts stated in the Application, having received no protests, and upon a hearing before the Commission, the Commission should enter an order to: 1) vacate four approximate 640-acre drilling and spacing units established by Order No. 535-3 for Sections 3, 4, 9 and 10, Township 9 North, Range 58 West, 6th P.M.; 2) vacate pooling Order No. 535-110 for Section 10, Township 9 North, Range 58 West, 6th P.M.; 3) vacate the approximate 640-acre drilling and spacing unit established by Order No. 535-125 for Section 16, Township 9 North, Range 58 West, 6th P.M.; and 4) establish an approximate 3,200-acre unit for Sections 3, 4, 9, 10 and 16, Township 9 North, Range 58 West, 6th P.M., and approve an appropriate number of wells to effectively and efficiently drain the reservoir, for the production of oil, gas and associated hydrocarbons from the Codell-Niobrara Formation.

ORDER

NOW, THEREFORE IT IS ORDERED, that four approximate 640-acre drilling and

spacing units established by Order No. 535-3 for Sections 3, 4, 9 and 10, Township 9 North, Range 58 West, 6th P.M., are hereby vacated.

IT IS FURTHER ORDERED, that pooling Order No. 535-110 for Section 10, Township 9 North, Range 58 West, 6th P.M., is hereby vacated.

IT IS FURTHER ORDERED, that an approximate 640-acre drilling and spacing unit established by Order No. 535-125 for Section 16, Township 9 North, Range 58 West, 6th P.M., is hereby vacated.

IT IS FURTHER ORDERED, that an approximate 3,200-acre unconventional resource unit for the below-described lands, is hereby established, and an appropriate number of wells to effectively and efficiently drain the reservoir, are hereby approved, for the production of oil, gas and associated hydrocarbons from the Codell-Niobrara Formation, with the treated interval of the wellbore to be located no closer than 600 feet from the unit boundaries, and no closer than 150 feet from the treated interval of any other wellbore located in the unit, without exception being granted by the Director:

<u>Township 9 North, Range 58 West, 6th P.M.</u>	
Section 3:	All
Section 4:	All
Section 9:	All
Section 10:	All
Section 16:	All

IT IS FURTHER ORDERED, that the permitted wells shall be drilled from no more than eight wellpads per section, unless an exception is granted by the Director.

IT IS FURTHER ORDERED, that any and all vertical or directional wells drilled and completed to the Codell-Niobrara Formation (or the Codell or Niobrara Formation individually, as indicated on the applicable Application for Permit to Drill – “APD”), are hereby excluded, from the proposed unit. Any production from vertical or directional wells drilled and completed to the Codell-Niobrara Formation (or the Codell or Niobrara Formation individually, as indicated on the applicable APD) shall continue to be allocated on the current payment of production basis and such allocation shall not be effected by the approval of this Application.

IT IS FURTHER ORDERED, that any and all horizontal wells drilled and completed to the Codell-Niobrara Formation (or the Codell or Niobrara Formation individually, as indicated on the applicable APD), are hereby included, in the proposed unit.

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 Procedures Act the Commission considers this Order to be final agency action for purposes of judicial review within 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 29th day of April, 2013, as of March 25, 2013.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Robert J. Frick, Secretary