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

IN THE MATTER OF THE APPLICATION OF AXIA	)	CAUSE NO. 540
ENERGY, LLC FOR AN ORDER TO ESTABLISH	)	
AN APPROXIMATE 2280-ACRE UNIT IN	)	DOCKET NO. 1303-SP-41
SECTIONS 27, 28, 33 AND 34, TOWNSHIP 8	)	
NORTH, RANGE 91 WEST, 6 <sup>TH</sup> P.M., UNNAMED	)	ORDER NO. 540-13
FIELD, MANCOS AND NIOBRARA	)	
FORMATIONS, MOFFAT COUNTY, COLORADO	)	

REPORT OF THE COMMISSION

The Commission heard this matter on March 25, 2013, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Denver, Colorado, upon application for an order to establish an approximate 2280-acre unit for Sections 27, 28, 33 and 34, Township 8 North, Range 91 West, 6<sup>th</sup> P.M. and approve an appropriate number of wells within the unit, for the production of oil, gas and associated hydrocarbons from the Mancos and Niobrara Formations.

FINDINGS

The Commission finds as follows:

1. Axia Energy, LLC ("Axia" or "Applicant") 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. Rule 318.a. of the Rules and Regulations of the Oil and Gas Conservation Commission requires that 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 Sections 27, 28, 33 and 34, Township 8 North, Range 91 West, 6<sup>th</sup> P.M. are subject to Rule 318.a for the Mancos and Niobrara Formations.
6. On January 24, 2013, Axia, by its attorneys, filed with the Commission a verified application ("Application") for an order to establish an approximate 2280-acre unit for the below described lands ("Application Lands"), for the production of oil, gas and associated hydrocarbons from Mancos and Niobrara Formations, and authorize the appropriate number of wells in order to effectively and efficiently recover the oil, gas and associated hydrocarbons from

the proposed unit, with a limit of eight horizontal wellpads per section on the Application Lands, or located on adjacent lands, with the treated interval of any horizontal well to be no closer than 600 feet from the unit boundaries, without exception being granted by the Director:

Township 8 North, Range 91 West, 6<sup>th</sup> P.M.

Section 27: All  
Section 28: N $\frac{1}{2}$ , NE $\frac{1}{4}$  SW $\frac{1}{4}$ , S $\frac{1}{2}$  SW $\frac{1}{4}$ , SE $\frac{1}{4}$   
Section 33: N $\frac{1}{2}$ , N $\frac{1}{2}$  S $\frac{1}{2}$   
Section 34: N $\frac{1}{2}$ , N $\frac{1}{2}$  S $\frac{1}{2}$ , S $\frac{1}{2}$  SE $\frac{1}{4}$

7. On March 12, 2012, Axia, by its attorneys, filed with the Commission a written request to approve the Application based on its merits of the verified application and the supporting exhibits. Sworn written testimony and exhibits were submitted in support of the Application.

8. Land testimony and exhibits submitted in support of the Application by Tab McGinley, Vice President of Land for Axia, showed that Axia holds a mineral leasehold interest in the Application Lands. The mineral ownership is comprised of fee, state and federal ownership.

9. Geologic testimony and exhibits submitted in support of the Application by Brian Berwick, Senior Geologist for Axia, showed that the Mancos and Niobrara Formations exists under all of the Application Lands. Additional testimony showed that the total thickness of the interval from the top of the Mancos to the base of the Niobrara Formation under the Application Lands is 3700 feet thick.

10. Engineering testimony and exhibits submitted in support of the Application by Taryn Frenzel, Senior Completions Engineer for the Sand Wash Team for Axia, showed that stacked horizontal wells will be necessary to develop the resource and effectively drain the Mancos and Niobrara Formation within the Application Lands. The testimony further showed that the ability to drill 9000 feet laterals will allow for more efficient development by eliminating unnecessary surface locations.

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

12. Axia has agreed to be bound by the oral order of the Commission.

13. 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.

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

15. 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 establish an approximate 2280-acre unit for Sections 27, 28, 33 and 34, Township 8 North, Range 91 West, 6<sup>th</sup> P.M. and approve an appropriate number of wells within the unit, for the production of oil, gas and associated hydrocarbons from the Mancos and Niobrara Formations.

ORDER

NOW, THEREFORE, IT IS ORDERED, that an approximate 2280-acre unconventional resource unit for the below-described lands, is hereby established, and an appropriate number of horizontal wells to efficiently and economically recover the oil, gas and associated hydrocarbons within the unit, are hereby approved, for the production of oil, gas and associated hydrocarbons from the Mancos and Niobrara Formations, with a limit of eight horizontal wellpads per section on the Application Lands, or located on adjacent lands, with the treated interval of any horizontal well to be no closer than 600 feet from the unit boundaries, without exception being granted by the Director:

Township 8 North, Range 91 West, 6<sup>th</sup> P.M.

Section 27: All  
Section 28: N $\frac{1}{2}$ , NE $\frac{1}{4}$  SW $\frac{1}{4}$ , S $\frac{1}{2}$  SW $\frac{1}{4}$ , SE $\frac{1}{4}$   
Section 33: N $\frac{1}{2}$ , N $\frac{1}{2}$  S $\frac{1}{2}$   
Section 34: N $\frac{1}{2}$ , N $\frac{1}{2}$  S $\frac{1}{2}$ , S $\frac{1}{2}$  SE $\frac{1}{4}$

IT IS FURTHER ORDERED, 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 of 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 5<sup>th</sup> day of April, 2013, as of March 25, 2013.

OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By   
Robert J. Frick, Secretary