

Greater Wattenberg Area (GWA) Wellbore Spacing Units Operators Guidance

10-20-2014

The GWA wellbore spacing unit is a unique feature of Rule 318A. It provides operators a quick and direct method of creating units, as no Commission hearing applications are required. It also allows maximum flexibility for a variety of well designs, as the unit configuration is tailored to each well, rather than the reverse. In order for all parties to realize these benefits, there must be a high level of cooperation as well as respect for, and understanding of, the procedure.

The configuration of a GWA wellbore spacing units is described in Rule 318A.a.(4)

The notice, objection, hearing, and approval process is described in Rule 318A.e.(5).

This guidance document has four (4) sections:

Section 1 - Summary of Rule 318A.e.(5)

Section 2 - Rule 318A.e.(5) Implementation and Compliance

Section 3 - COGCC Tracking of Rule 318A.e.(5) Objections

Section 4 - Rule 318A.e.(5) Objection Resolution

Section 1 - Summary of Rule 318A.e.(5)

1. Proposed Wellbore Spacing Unit Notice Requirements - Rule 318A.e.(5).A
 - a. By certified mail to all Owners in the proposed wellbore spacing unit
 - b. Information Required
 - i. Description of the wellbore orientation
 - ii. Anticipated spud date
 - iii. Size and shape of the proposed wellbore spacing unit, with depiction attached
 - iv. Proposed surface and bottom hole locations, identified by footage descriptions
 - v. Survey plat
 - vi. For proposed horizontal wells and horizontal wellbore spacing units, the operator shall also identify by footage descriptions, the location at which the wellbore penetrates the target formation.
2. Proposed Wellbore Spacing Unit Objection Requirements - Rule 318A.e.(5).B
 - a. Thirty (30) day period after receipt of such notice to object in writing to the operator.
 - b. Written objection must be based upon a claim that
 - i. The notice provided by the operator does not comply with the informational requirements, or
 - ii. A technical objection that waste will be caused, or

Greater Wattenberg Area (GWA) Wellbore Spacing Units Operators Guidance

10-20-2014

- iii. A technical objection that correlative rights will be adversely affected, or
 - iv. A technical objection that the operator is not an "owner", as defined in the Act, of the mineral estate(s) through which the wellbore penetrates the target formation.
 - c. Specific facts must form the basis for such objection.
 - d. The objecting party shall provide a copy of the written objection to the Director.
3. Request a hearing before the Commission regarding an objection - Rule 318A.e.(5).C
- a. A hearing may be requested by the operator of the proposed wellbore unit.
 - b. Objecting party must prove the basis for their objection.
 - c. Objection may be presented to the Hearing Officer who may recommend to the Commission that the objection stand or be dismissed.
4. Commission enters an order to approve or deny the wellbore unit - Rule 318A.e.(5).D
5. No objections, or any objection is dismissed - Rule 318A.e.(5).E
- a. Wellbore unit is administratively approved by the Director
 - b. Operator submits
 - i. Location plat evidencing the well location and wellbore spacing unit
 - ii. Copies of any surface waivers
 - iii. Certification that no timely objections were received
 - c. The operator of the proposed wellbore unit must submit an APD within 90 days after the 30 day notice expired, or the notice is withdrawn.
 - d. The wellbore unit cannot be proposed again for 45 days after the original notice is withdrawn.

Section 2 - Rule 318A.e.(5) Implementation and Compliance

1. Notice Requirements - Rule 318A.e.(5).A
- a. The Proposed Wellbore Spacing Unit Notice must include all the required information and all the information must be correct. **NOTE:** A valid objection can be based upon missing or incorrect information in the notice.
 - b. The notice should include specific instructions, including contact name and address, for responses to the proposing operator.

Greater Wattenberg Area (GWA) Wellbore Spacing Units Operators Guidance

10-20-2014

- c. The notice should include instructions for sending the required Director's copy of the written objection as:
 - i. Hard copy to the COGCC, 1120 Lincoln Street, Suite 801, Denver, CO, 80203, Attention: Permitting Manager, OR
 - ii. Email to COGCC Permitting Manager (jane.stanczyk@state.co.us)
 - d. The notice should not include any other information regarding the proposed well. To avoid confusion, additional communications such as an offer to lease, an AFE, or a reference to involuntary pooling should be sent separately.
 - e. The only valid responses provided for by the rules are to (1) object to the proposed wellbore unit or (2) to not object; the rules do not provide for any waivers.
2. Objection Requirements - Rule 318A.e.(5).B
- a. The written objection must be received by the proposing operator and by the COGCC within 30 days of the date the notice was received by the objecting party.
 - b. Avoid last minute objections; an objection received after the 30 day response period is not timely. If the noticed party has an objection, a written objection should be immediately provided to the operator and to the COGCC. Discussions and negotiations of a resolution can and should occur *after* the formal objection has been made.
 - c. The basis for the objection must be clearly stated in the objection letter; a generic objection is not valid.
 - d. The basis for the objection can only be one of the 4 claims listed in Rule 318A.e.(5).B; all others are not valid.
 - e. The specific facts supporting the claim must be included in the objection letter. General statements are not sufficient.
 - f. An objection may not be considered if the Director does not receive a copy.
 - g. The required Director's copy of the written objection should be sent via:
 - i. Hard copy to the COGCC, 1120 Lincoln Street, Suite 801, Denver, CO, 80203, Attention: Permitting Manager, OR
 - ii. Email to COGCC Permitting Manager (jane.stanczyk@state.co.us)
3. A wellbore unit is administratively approved by the Director through the approval of the Application for Permit to Drill, Form 2.
- a. The Form 2 cannot be submitted less than 30 days from the date the notices were received, as evidenced by the certified mail receipts.

Greater Wattenberg Area (GWA) Wellbore Spacing Units Operators Guidance

10-20-2014

- b. Certification that no timely objections were received cannot be provided less than 30 days from the date the notices were received, as evidenced by the certified mail receipts.
- c. Submittal of a false certification is considered to be a serious matter by the COGCC and can result in enforcement action. This system depends on the good faith (and therefore due diligence) of the applicant.
- d. Information required by Rule 318A.e.(5).E is attached to the Form 2. The certification that no timely objections were received and the location plat evidencing the well location and wellbore spacing unit are combined as the Proposed Spacing Unit attachment.
- e. If the Form 2 is not submitted within 90 days after the end of the 30 day notice response period, the proposed wellbore unit shall be deemed to have been withdrawn.
- f. An application to the Commission for involuntary pooling of the interests within a wellbore spacing unit cannot be submitted until that unit has been created by the approval of the Form 2.

Section 3 - COGCC Tracking of Rule 318A.e.(5) Objections

- 1. Permitting Manager receives the Director's copy of an objection to a proposed Wellbore Spacing Unit Notice.
- 2. COGCC staff determines if the objection complies with Rule 318A.e.(5) by evaluating the validity of the basis for the objection, the facts supporting the claim, and the timeliness of the receipt of the objection.
- 3. If the objection does not comply with Rule 318A.e.(5), COGCC staff informs the objecting party and the operator in writing.
 - a. Upon receipt by the COGCC, the Application for Permit to Drill, Form 2 submitted for the well in the proposed wellbore unit is reviewed for completeness and processed.
- 4. If the objection complies with Rule 318A.e.(5), COGCC staff will track the objection based on the proposed surface location of well.
 - a. If the operator submits an Application for Permit to Drill, Form 2 for the well in the proposed wellbore unit, the Form 2 is returned to draft by COGCC staff with a request for an update on the status of the objection.
 - b. Permitting Manager receives notice of objection resolution or withdrawal.
 - c. COGCC staff tracks notice of objection resolution or withdrawal.
 - d. Submitted Form 2 is reviewed for completeness and processed.

Greater Wattenberg Area (GWA) Wellbore Spacing Units
Operators Guidance
10-20-2014

Section 4 - Rule 318A.e.(5) Objection Resolution

1. Operator receives a valid, timely objection to a proposed Wellbore Spacing Unit Notice.
2. Operator contacts objecting party to discuss a resolution.
 - a. Parties resolve the objection.
 - i. Objecting party notifies Permitting Manager of resolution and withdraws objection, or
 - ii. Operator notifies Permitting Manager of resolution.
 - iii. Operator submits Application for Permit to Drill, Form 2 for well.
 - iv. Proposed Spacing Unit attachment to the Form 2 acknowledges that there was an objection to the wellbore unit that has since been resolved.
 - b. Parties do not resolve the objection.
 - i. Operator submits application for Commission Hearing on the objection, or
 - ii. Operator submits application for Commission Hearing to create a drilling and spacing unit.