

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 FOR THE NIOBRARA AND CODELL)	DOCKET NO. 191200743
FORMATIONS, WATTENBERG FIELD, WELD)	
COUNTY, COLORADO)	TYPE: SPACING
)	
)	ORDER NO. 407-3095

REPORT OF THE COMMISSION

The Commission heard this matter on June 24, 2020, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado, upon application for an order to establish an approximate 1,600-acre drilling and spacing unit for the below-described lands ("Application Lands") and approve up to 18 horizontal wells within the unit, for production from the Niobrara and Codell Formations, with the productive interval of any wellbore to be located no closer than 150 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception:

Township 4 North, Range 65 West, 6th P.M.

Section 25: W½

Section 26: All

Section 27: All

FINDINGS

The Commission finds as follows:

1. Crestone Peak Resources Operating LLC (Operator No. 10633) ("Crestone" 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 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. Pursuant to § 34-60-106(2.5)(a), C.R.S., the Commission shall regulate oil and gas operations in a reasonable manner to protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources, and shall protect against adverse environmental impacts on any air, water, soil, or biological resource resulting from oil and gas operations.

5. On April 27, 1998, the Commission adopted Rule 318A, the Greater Wattenberg Area Special Well Location, Spacing and Unit Designation Rule. The Application Lands are subject to Rule 318A.

6. On February 19, 1992, the Commission entered Order No. 407-87 (amended August 20, 1993) which, among other things, established 80-acre drilling and spacing units for the production of oil, gas, and associated hydrocarbons from the Codell-Niobrara Formations, the Codell formation, and the Niobrara formation underlying certain lands, including portions of the Application Lands, with the permitted well locations in accordance with the provisions of Order 407-1.

7. On December 20, 2019, Crestone, by its attorneys, filed with the Commission a verified application ("Application") pursuant to § 34-60-116, C.R.S., for an order to establish an approximate 1,600-acre drilling and spacing unit for the Application Lands and approve up to 18 horizontal wells within the unit, for production from the Niobrara and Codell Formations, with the productive interval of any wellbore to be located no closer than 150 feet unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception. The Application asked that all existing vertical and directional wells on the Application Lands be excluded from the proposed drilling and spacing unit.

8. Applicant states that all horizontal wells will be drilled from no more than two multi-well pads within the drilling unit, or on adjacent lands with consent of the landowner, subject to Rule 318A, unless an exception is granted by the Director. Applicant further states that all permitted wells will be drilled in a west-east or east-west orientation.

9. Crestone filed with the Commission a written request to approve the Application based on the merits of the verified Application and on 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 Sheila Frazier, Land Manager for Crestone, show that Crestone holds oil and gas interests and has a right to drill in the Application Lands.

11. Geologic testimony and exhibits submitted in support of the Application by Brian Ingalls, Geologist for Crestone, show that the Niobrara Formation is present throughout the Application Lands, is approximately 275 feet thick, and is generally of uniform thickness throughout the Application Lands. The geologic testimony shows that the Niobrara Formation is comprised of chinks, marlstones, and limestone. In addition, the geologic testimony shows that the Codell Formation is present throughout the Application Lands, is approximately 18 feet thick, and is generally of uniform thickness throughout the Application Lands. The geologic testimony shows that the Codell Formation is comprised of sandstone. The geologic testimony showed that the wells will be drilled in an west-east or east-west orientation.

12. Engineering testimony and exhibits submitted in support of the Application by Julie Heinrich, Reservoir Engineer Advisor for Crestone, indicate that the Applicant will drill up to 14 horizontal wells in the Niobrara Formation and four horizontal wells in the Codell Formation. The engineering testimony further states that the horizontal wells will have a lateral length of 12,600. Engineering testimony also shows that the estimated drainage area for a Niobrara Formation well with a lateral length of 12,600 feet is 57 acres. Accordingly, an approximate 1,600-acre drilling and spacing unit is not less than the maximum area that can be efficiently, economically, and effectively drained by 14 12,600-foot horizontal wells. In addition, engineering testimony shows that the estimated drainage area for a Codell Formation well with a lateral length of 12,600 feet is 307 acres. Accordingly, an approximate 1,600-acre drilling and spacing unit is not less than the maximum area that can be efficiently, economically, and effectively drained by four horizontal

wells producing oil, gas, and associated hydrocarbons from the Codell Formation. The engineering testimony shows that the proposed wells will be economic to drill.

13. Engineering testimony also shows that, based on microseismic data, hydraulic fracture growth does not extend past the heel and toe of the wellbores. Therefore, the proposed setbacks of 150 feet from the east and west unit boundaries are appropriate given a west-east or east-west wellbore orientation.

14. Regulatory testimony and exhibits submitted in support of the Application by Sheila Frazier, Land Manager for Crestone, show that Weld County is the local governmental agency with siting authority for the Application Lands. Weld County has waived its right to render a disposition regarding its surface permitting prior to the Commission's approval of the proposed drilling and spacing unit. The testimony further demonstrates that in developing the Application Lands, Crestone's operations will reasonably protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources and will protect against adverse environmental impacts on any air, water, soil, or biological resources.

15. The above-referenced testimony and exhibits show that granting the Application will regulate oil and gas operations in a reasonable manner to protect and minimize adverse impacts to public health, safety, and welfare, the environment, and wildlife resources and will protect against adverse environmental impacts on any air, water, soil, or biological resource resulting from oil and gas operations.

16. The above-referenced testimony and exhibits further 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.

17. Crestone agreed to be bound by oral order of the Commission.

18. Based on the facts stated in the verified Application, no protests having been filed, and based on the Hearing Officer review of the Application under Rule 511, the Commission should enter an order to establish an approximate 1,600-acre drilling and spacing unit for the Application Lands and approve up to 18 horizontal wells, with no more than four horizontal wells drilled in the Codell Formation, within the unit, for production from the Niobrara and Codell Formations, with the productive interval of any wellbore to be located no closer than 150 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception.

ORDER

IT IS HEREBY ORDERED:

1. An approximate 1,600-acre drilling and spacing unit for the Application Lands is hereby established, and up to 18 horizontal wells, with no more than four horizontal wells drilled in the Codell Formation, within the unit are approved for production from the Niobrara and Codell Formations.

2. The productive interval of any wellbore will be located no closer than 150 feet from the unit boundaries and no closer than 150 feet from the productive interval of any other wellbore within the unit, unless the Director grants an exception.

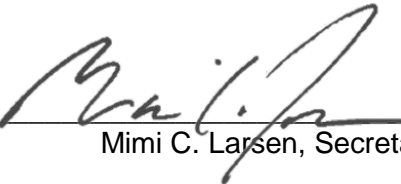
3. All horizontal wells in the unit will be drilled in a west-east or east-west orientation.
4. All wells permitted under this Order will be drilled from no more than two multi-well pads within the Application Lands, or on adjacent lands with consent of the landowner, subject to Rule 318A, unless the Director grants an exception.
5. No oil and gas operations may be conducted in the Application Lands without an approved Oil and Gas Location Assessment permit(s) (Form 2A) and approved Applications for Permits to Drill (Form 2). The determination of whether an oil and gas location satisfies § 34-60-106(2.5)(a), C.R.S. shall be made by Commission permitting staff in the course of its review and determination of the Form 2A. The Commission's approval of this drilling and spacing unit does not equate to approval of any proposed Form 2A for an oil and gas location or Form 2.

IT IS FURTHER ORDERED:

1. The provisions contained in the above order shall become effective immediately.
2. The Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.
3. Under the State Administrative Procedure Act the Commission considers this Order to be final agency action for purposes of judicial review within 35 days after the date this Order is mailed by the Commission.
4. An application for reconsideration by the Commission of this Order is not required prior to the filing for judicial review.

ENTERED this 2nd day of July 2020, as of June 24, 2020.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By  _____
Mimi C. Larsen, Secretary