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COGCC

November 30, 2017

VIA CERTIFIED MAIL AND EMAIL

Colorado Oil & Gas Conservation Commission ("COGCC")
Attention: Jane Stanczyk, Manager
1120 Lincoln Street, Suite 801
Denver, CO 80203

RE: Rule 318A.e.(5)B. Objection by Extraction – Mae Wells

Dear Ms. Stanczyk:

Kerr-McGee Oil & Gas Onshore LP ("KMG") received a copy of "Rule 318A.e.(5)B. Objection-Mae Wells" dated November 21, 2017 by Extraction Oil & Gas, Inc. ("Extraction") ("Extraction Objection") to the eighteen (18) horizontal wellbore spacing units proposed by KMG in Township 1 North, Range 68 West ("Mae Wells"). As you know, KMG protested Extraction's proposed drilling and spacing unit in Docket Nos. 171200770 and 171200769, which encompasses Section 28 ("Extraction's Proposed DSU"). Docket Nos. 171200770 and 171200769 were scheduled for the December 11-12, 2017 COGCC Hearing, but have been continued to the January 29-30, 2018 COGCC Hearing pursuant to an email from Hearings Officer Rouse dated November 28, 2017.

Over the last few months, KMG and Extraction have discussed their respective drilling plans, pooling and spacing applications, and possible trades. The dialogue between the two companies has been ongoing and will continue.

In a separate motion to the COGCC in Docket Nos. 171200769 and 171200770, KMG requests to be placed on the January 29-30, 2018 COGCC Hearing Docket to allow the Commissioners to review the Extraction Objection to KMG's proposed Mae Wells. KMG believes this would provide more time for the parties to work through the issues and hopefully come to an amicable solution.

In response to the Extraction Objection, KMG would like to call attention to material issues as stated by Extraction against the KMG Mae Wells:

1. Waste

- KMG proposed 18 wells in Section 28, which cover ALL the reservoir under Section 28. There would be no setbacks of 460' to the section lines. Without setbacks, KMG's 18 Mae Wells would effectively drain the entire reservoir of this section. KMG does not believe 20 wells will be needed or necessary within a DSU with a 460' setback, and permitting such a configuration would waste the resource in the perimeter of Section 28.

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- Extraction claims it would be difficult to develop its acreage in adjacent sections in a more economic and efficient manner. KMG owns 100% of the working interest and minerals in Section 21: S $\frac{1}{2}$ S $\frac{1}{2}$ and Section 27: W $\frac{1}{2}$ W $\frac{1}{2}$, the north and east adjacent sections. Extraction owns less than 100% of the leasehold interests in Section 29: E $\frac{1}{2}$ E $\frac{1}{2}$ and Section 33: N $\frac{1}{2}$ N $\frac{1}{2}$, the west and south adjacent sections. KMG's drilling plans include the adjacent acreage in the wellbore spacing units without encroaching on Extraction's leasehold, reducing waste.

2. **Correlative Rights and Leasehold Ownership**

- KMG owns 100% of the mineral and leasehold interests in Section 28: NE $\frac{1}{4}$ and SW $\frac{1}{4}$. KMG owns 38% of the leasehold interests in Section 28: SE $\frac{1}{4}$. This accounts for 75% of Section 28.
- If Extraction's Proposed DSU is approved, KMG believes that Extraction will be trespassing on KMG's 320 acres of minerals and leasehold.
- Extraction cannot develop Sections 21 and 27 because KMG owns 100% of the leasehold and minerals and has development plans for wells on those sections.
- COGIS records state that Crestone Peak Resources ("Crestone") is currently drilling wells in Section 29. KMG's proposed Mae Wells do not interfere with Crestone's Section 29 wells.
- Section 33 has an approved DSU and Extraction is drilling wells from the surface of Section 28: SE $\frac{1}{4}$ into Section 33 minerals.
- The setback for the Section 33 DSU is 460' from the north line of Section 33. In KMG's wellbore spacing units for the Mae Wells, we pulled the toes to within 61–86' of the south line of Section 28 to include Extraction's acreage. This increases Extraction's working interest in the Mae Wells and captures the stranded reservoir in Section 28: S $\frac{1}{2}$ S $\frac{1}{2}$ and Section 33: N $\frac{1}{2}$ N $\frac{1}{2}$. The enclosed map depicts this drilling plan.

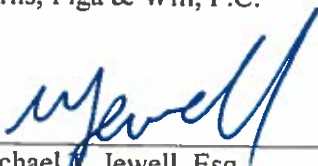
KMG believes it presents a superior case to develop the acreage in Section 28 with the eighteen (18) horizontal Mae wellbore proposals. Given the facts above regarding drainage, correlative rights, and leasehold and mineral interests, KMG believes a consolidated hearing during the January 29–30, 2018 COGCC Hearing would resolve most of these issues, and give both parties more time to work through the issues and hopefully come to an amicable solution.

To that end, KMG formally requests that that the Commission set for hearing pursuant to COGCC Rule 318A.e.(5)C the eighteen (18) horizontal Mae wellbore spacing units. KMG further requests that the Mae Well proposals be heard in conjunction with Docket Nos. 171200769 and 171200770.

KMG appreciates your consideration of its request.

Sincerely,

Burns, Figa & Will, P.C.

A handwritten signature in blue ink, appearing to read "mjewell", written over a horizontal line.

Michael V. Jewell, Esq.
Courtney M. Shephard, Esq.

Attachment

Attachment

KMG Response Map

EXHIBIT ATTACHED TO THE COGCC LETTER DATED NOVEMBER 30, 2017
"the Picture over Section 28 T1N R69W"

