

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

IN THE MATTER OF THE APPLICATION OF MALLARD EXPLORATION, LLC, FOR AN ORDER TO ESTABLISH AN APPROXIMATE 1,280-ACRE DRILLING AND SPACING UNIT FOR SECTIONS 20 & 21, TOWNSHIP 7 NORTH, RANGE 63 WEST, 6TH P.M., AND AUTHORIZE 12 HORIZONTAL WELLS WITHIN SAID UNIT, FOR PRODUCTION FROM THE CODELL AND NIOBRARA FORMATIONS, WATTENBERG FIELD, WELD COUNTY, COLORADO

CAUSE NO. 407

DOCKET NO. 180700_____

TYPE: Spacing

APPLICATION

COMES NOW Mallard Exploration, LLC (“Mallard” or “Applicant”), Operator #10670, by and through its undersigned attorneys, and respectfully submits this application to the Oil and Gas Conservation Commission of the State of Colorado (“COGCC” or “Commission”) for an order: (1) establishing an approximate 1,280-acre drilling and spacing unit for Sections 20 and 21, Township 7 North, Range 63 West, 6th P.M., and authorize the drilling of 12 horizontal wells within the proposed unit, for production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, and (2) maintaining allocation of proceeds for any existing wells located within the proposed unit and producing from the Codell and/or Niobrara Formations. In support of this verified application (“Application”), Applicant states and alleges as follows:

1. Applicant is a limited liability company duly authorized to conduct business in the State of Colorado, and is a registered operator in good standing with the Commission.
2. Applicant is an Owner and/or Operator as defined by the Colorado Oil and Gas Conservation Act, § 34-60-103(7) and the Commission 100 Series Rules, and owns leasehold interests and/or has the right to drill and produce on the following lands (hereafter “Application Lands”):

Township 7 North, Range 63 West, 6th P.M.

Section 20: All

Section 21: All

1,280 acres, more or less, Weld County, Colorado.

Exhibit A, which depicts the Application Lands, is attached hereto.

3. On April 27, 1988, the Commission adopted Rule 318A which, among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all Cretaceous Age Formations from the base of the Dakota Formation to the surface. Rule 318A supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of Greater Wattenberg Area (“GWA”) wells. On December 5, 2005, Rule 318A was amended, among other things, to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. On August 8, 2011, Rule 318A was again amended, among other things,

to address drilling of horizontal wells. The Application Lands are subject to Rule 318A for the Codell-Niobrara Formation.

4. On October 31, 2011, the Commission issued Order No. 407-510 which, among other things, established an approximate 80-acre drilling and spacing unit for the W½ SE¼ of Section 20, Township 7 North, Range 63 West, 6th P.M., and approved the drilling of one conventional well within said unit, namely, the Wilson PC AC20-10 well, for production of oil, gas and associated hydrocarbons from the Codell-Niobrara Formation. Further, on October 31, 2011, the Commission issued Order No. 407-508 which, among other things, pooled all interests within the 80-acre unit area (described above), for development and operation of the Codell-Niobrara Formation, with authority to recover costs and risk penalties from any nonconsenting owners.

Establishment of an approximate 1,280-acre drilling and spacing unit for the Application Lands, for production from the Codell and Niobrara Formations

5. Applicant herein seeks the establishment of an approximate 1,280-acre drilling and spacing unit for the Application Lands, and the authority to drill 12 horizontal wells within the proposed unit, for production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations. The Codell and Niobrara Formations underlying the Application Lands are a common source of supply. Further, the establishment of the drilling and spacing unit is not smaller than the area which can be efficiently and economically drained by the drilling of the requested horizontal wells to be drilled within said unit.

6. Applicant herein requests the treated intervals of any horizontal well permitted under this Application should be located not less than 460 feet from proposed unit boundaries and not less than 150 feet from any other well producing or drilling from the Codell-Niobrara Formation, without exception being granted by the Director.

7. Applicant herein requests any permitted well drilled under this Application should be located: (1) on lands overlying the drilling and spacing unit from either inside a Rule 318A GWA drilling window or lands outside the GWA windows with landowner consent, absent exception granted by the Director, or (2) on lands outside the drilling and spacing unit with landowner consent, absent exception granted by the Director. Further, Applicant requests that permitted wells under this Application should be drilled from no more than four multi-well pads.

Maintaining allocation of proceeds for existing wells within the Application Lands and producing from the Codell and/or Niobrara Formations

8. Noble Energy, Inc., Operator #100322, presently operates the Wilson PC AC20-10 well (API #05-123-33351), a conventional well with its bottomhole located in the NW¼ SE¼ of Section 20, Township 7 North, Range 63 West, 6th P.M., and allocates production on an 80-acre unit basis for the W½ SE¼ of said Section 20, for production from the Codell-Niobrara Formation.

9. Noble Energy, Inc., Operator #100322, presently operates the Welch AC20-10 well (API #05-123-29705), a conventional well with its bottomhole located in the SW¼ SW¼ of Section 21, Township 7 North, Range 63 West, 6th P.M., and allocates production on an 80-acre unit basis for the W½ SW¼ of said Section 21, for production from the Codell-Niobrara Formation.

10. Application herein requests those wells (described above in Paragraphs 8 and 9) should be excluded from the approximate 1,280-acre drilling and spacing unit proposed herein for the Application Lands, and that the allocation of proceeds from those wells be maintained.

* * *

11. The granting of this Application is in accord with the Oil and Gas Conservation Act found at §34-60-101, et seq., C.R.S., and the COGCC rules.

12. Applicant requests that relief granted as result of this Application should be effective on oral order by the Commission, and Applicant hereby agrees to be bound by the oral order of the Commission.

12. That the names and addresses of interested parties (owners within the Application Lands) according to the information and belief of the Applicant are set forth in Exhibit B. The Applicant shall submit a certificate of service for the Application within seven days as required by Rule 503.e. accompanied by Exhibit B.

WHEREFORE, Applicant respectfully requests this matter be set for hearing, notice be given as required by law, and that upon such hearing the Commission enter its order:

A. Establishing an approximate 1,280-acre drilling and spacing unit for the Application Lands, and authorizing the drilling of 12 horizontal wells within the proposed unit, for the production of oil, gas and associated hydrocarbons from the Codell and Niobrara Formations, with the treated interval of any horizontal well permitted under this Application located not less than 460 feet from unit boundaries and not less than 150 feet from any other well producing or drilling from the Codell and/or Niobrara Formations, without exception being granted by the Director.

B. Limiting the drilling of any permitted wells under this Application to no more than four multi-well pads either: (1) on lands overlying the drilling and spacing unit from either inside a Rule 318A GWA drilling window or lands outside the GWA windows with landowner consent, absent exception granted by the Director, or (2) on lands outside the drilling and spacing unit with landowner consent, absent exception granted by the Director.

C. Maintaining allocation of proceeds for any existing wells located within the proposed unit and producing from the Codell and/or Niobrara Formations and excluding those wells from the 1,280-acre drilling and spacing unit proposed herein for the Application Lands.

D. For such other findings and orders as the Commission may deem proper or advisable given the premises.

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**Application
Lands**

Township 7 North, Range 63 West, 6th P.M.

Exhibit A
Application Map

