

**BEFORE THE OIL & GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO**

IN THE MATTER OF AN APPLICATION BY  
EXTRACTION OIL & GAS INC. FOR, AMONG  
OTHER THINGS, A HEARING ON OBJECTIONS TO  
THE DESIGNATED HORIZONTAL WELLBORE  
SPACING UNITS PROPOSED FOR THE GP CODY  
FED 20E-15-4N, GP CODY FED 20E-15-5N, GP  
CODY FED 20E-15-1N, GP CODY FED 20E-15-2C,  
AND GP CODY FED 20E-15-3N WELLS, LOCATED  
IN CERTAIN PORTIONS OF SECTIONS 15, 16, 17,  
20, 21, AND 22, TOWNSHIP 5 NORTH, RANGE 65  
WEST, 6TH P.M., FOR DEVELOPMENT OF THE  
CODELL AND NIOBRARA FORMATIONS,  
WATTENBERG FIELD, WELD COUNTY,  
COLORADO

CAUSE NO. 407

DOCKET NO.

TYPE: SPACING

**APPLICATION**

Extraction Oil & Gas, Inc. (Operator No. 10459) ("Extraction" or "Applicant"), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado ("Commission" or "COGCC") requesting a hearing on objections received for the designated horizontal wellbore spacing units proposed for the GP Cody FED 20E-15-4N, GP Cody FED 20E-15-5N, GP Cody FED 20E-15-1N, GP Cody FED 20E-15-2C, and GP Cody FED 20E-15-3N Wells, to be drilled in certain portions of Sections 15, 16, 17, 20, 21, and 22, Township 5 North, Range 65 West, 6th P.M., for horizontal well development of the Codell and Niobrara Formations. In support of its Application, Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado, and has registered as an operator with the Commission.
2. Applicant is an Owner in the below-listed lands:

Township 5 North, Range 65 West, 6<sup>th</sup> P.M.

Section 15: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 16: S $\frac{1}{2}$ S $\frac{1}{2}$

Section 17: S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 20: N $\frac{1}{2}$ NE $\frac{1}{4}$

Section 21: N $\frac{1}{2}$ N $\frac{1}{2}$

Section 22: NW $\frac{1}{4}$ NW $\frac{1}{4}$

**GP Cody FED 20E-15-1N Well**

**GP Cody FED 20E-15-2C Well**

**GP Cody FED 20E-15-3N Well**

WSU Nos, 1, 2 and 3  
560 acres, more or less, Weld County Colorado

Township 5 North, Range 65 West, 6<sup>th</sup> P.M.

Section 20: NE $\frac{1}{4}$

Section 21: N $\frac{1}{2}$

Section 22: W $\frac{1}{2}$ NW $\frac{1}{4}$

**GP Cody FED 20E-15-4N Well**

**GP Cody FED 20E-15-5N Well**

WSU Nos. 4 and 5

560 acres, more or less, Weld County Colorado

These lands are hereinafter referred to as the "Application Lands" and depicted in the well plats marked as **Exhibit A** attached hereto.

3. Rule 318A.e.(5) provides for notice and hearing procedures when proposing horizontal wellbore spacing units as described by Rule 318A.a.(4)D. for lands located within the Greater Wattenberg Area.

4. Acting pursuant to Rule 318A.e.(5)A., Extraction sent notices by certified mail of the proposed horizontal wellbore spacing units for the GP Cody FED 20E-15-4N, GP Cody FED 20E-15-5N, GP Cody FED 20E-15-1N, GP Cody FED 20E-15-2C, and GP Cody FED 20E-15-3N Wells (collectively referred to as "Subject Wells"), which were received by the objecting party on or around August 13, 2018.

5. On September 12, 2018, and within the 30-day Rule 318A.e.(5)B. comment period, PDC Energy, Inc. ("PDC") filed a written objection to WSU Nos. 1-5 proposed for the Subject Wells ("Objection"). As the basis for its Objection, PDC states Extraction intends to drill "from surface locations from the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 20 of the Lands and penetrate several tracts in which PDC is the sole owner of 100% leasehold." Objection at pg. 2. The lands to which PDC refers to as 100% held by PDC leases consists of the N $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 21 and the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 22 ("PDC 100% Lands"). The Objection is attached hereto as **Exhibit B**.

6. As of the date of filing, Extraction has not received notice from the Commission as to whether the Objection has been accepted as valid. However, upon information and belief, COGCC staff has made a decision to interpret the Objection as a valid written objection to the notices issued for the Subject Wells. Extraction respectfully objects to the COGCC's decision to treat the Objection as a valid objection under Rule 318A.e.(5)B., and reserves the right to file a dispositive motion related to the same.

7. As approval of WSU Nos. 1-5 proposed for the Subject Wells is impeded by the Objection described above, Extraction hereby requests a hearing before the Commission on the respective objections pursuant to Rule 318A.e.(5)C.

8. Further, Extraction requests the merits of the written objection be first presented to a hearings officer of the Commission pursuant to Rule 318A.e.(5)C.

9. That, following an administrative hearing held pursuant to Rule 318A.e.(5)C., the hearing officer recommend dismissing the Objection, as Extraction is an "owner," as defined in the Colorado Oil and Gas Act, WSU Nos. 1-5 are properly configured pursuant to Rule 318A.a.(4)D., were properly noticed pursuant to Rule 318A.e.(5)A., will prevent waste, will increase the ultimate recovery of the reserves, and protect correlative rights.

10. That, should the Commission decide not to uphold the recommendation of the hearing officer pursuant to Rule 318A.e.(5)d., the Commission enter an order approving WSU Nos. 1-5.

11. The undersigned certifies that copies of this Application will be served on each interested party as required by Rule 507 within seven (7) days of the filing hereof, as required by Rule 503.e.

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

A. Dismissing the Objection of WSU Nos. 1-5, as applicable, proposed for the Subject Wells.

B. Approving the designated horizontal wellbore spacing units, comprised of the Application Lands, for the Subject Wells, for the production of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations.

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

DATED this 18<sup>th</sup> day of October, 2018.

Respectfully submitted,

**EXTRACTION OIL & GAS, INC.**

By: 

Jillian Fulcher  
Evan Bekkedahl  
Beatty & Wozniak, P.C.  
Attorneys for Applicant  
216 16th Street, Suite 1100  
Denver, Colorado 80202  
(303) 407-4499  
jfulcher@bwenergylaw.com  
ebekkedahl@bwenergylaw.com

Address of Applicant  
Extraction Oil & Gas, Inc.  
ATTN: Drew Stout  
1099 18<sup>th</sup> St., Suite 1800  
Denver, CO 80202

VERIFICATION

STATE OF COLORADO            )  
  ) ss.  
CITY & COUNTY OF DENVER    )

Drew Stout, Landman for Extraction Oil & Gas, Inc., upon oath deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information and belief.

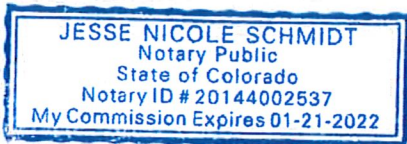
EXTRACTION OIL & GAS INC

  
\_\_\_\_\_  
Drew Stout

Subscribed and sworn to before me this 16<sup>th</sup> day of October, 2018,  
by Drew Stout, Landman for Extraction Oil & Gas INC.

Witness my hand and official seal.

My commission expires: 1/21/22



  
\_\_\_\_\_  
Notary Public

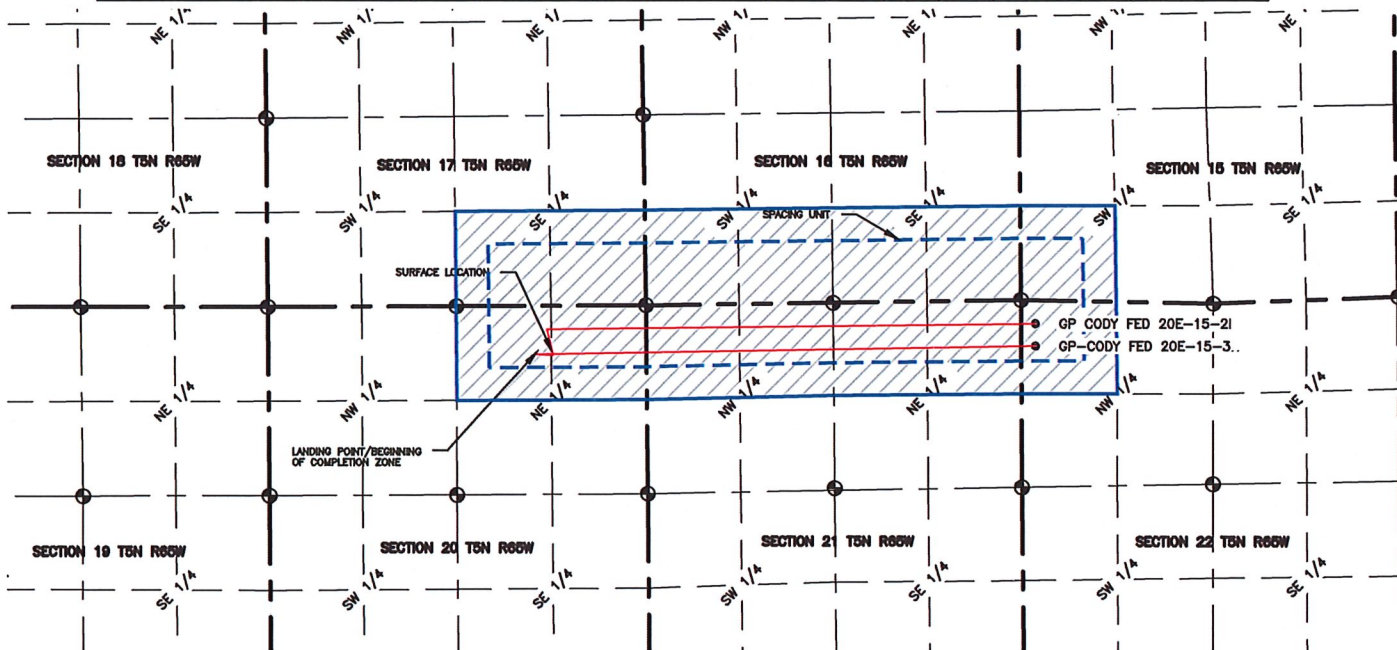
# EXHIBIT A

NAME: GP CODY FED 2 & 3  
 SPACING UNIT: SEC 20: N/2NE/4; SEC 17: S/2SE/4; SEC 21: N/2N/2; SEC 22: NW/4NW/4;  
 SEC 16: S/2S/2; SEC 15: SW/4SW/4, T5N, R65W, UNIT ACREAGE: 560



0 2000  
 SCALE: 1" = 2000'  
 U.S. SURVEY FEET

WELL NAME	SURFACE LOCATION				BEGIN HORIZONTAL COMPLETION ZONE				END HORIZONTAL COMPLETION ZONE				COMPLETION ZONE BEARING	COMPLETION ZONE LENGTH
	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.		
GP CODY FED 20E-15-2N	682'	FNL	1305'	FEL	331'	FNL	1388'	FEL	327'	FNL	200'	FWL	S89°19'27"E	6869.73'
GP CODY FED 20E-15-3N	694'	FNL	1305'	FEL	647'	FNL	1524'	FEL	642'	FNL	201'	FWL	N89°04'53"E	7018.59'



**LAMP RYNEARSON**  
 & ASSOCIATES

4715 Innovation Drive 970.226.0342 | P  
 Fort Collins, CO 80525 970.226.0879 | F  
 www.LRA-Inc.com

Proposed Spacing Unit Exhibit  
 Greeley Directional Project  
 GP Cody Fed

**LEGEND**

- ⊙ ALIQUOT CORNER
- ⊙ BOTTOM HOLE
- ⊙ COMPUTED ALIQUOT CORNER
- SECTION LINE
- QUARTER SECTION LINE
- SIXTEENTH LINE
- △ COMPUTED ALIQUOT CORNER FROM MONUMENT RECORDS
- ⊠ COMPUTED FROM GLO RECORDS

<b>DRAWN BY</b> CPG	<b>DATE</b> 4/9/2018	<b>COCCC ID</b> 0213001.01	<b>PROJECT - TASK NUMBER</b> 0213001.01	<b>BOOK AND PAGE</b> MR01/MR02
cde\SURVEY\DRAWINGS\EXHIBITS\Planned Spacing Units\0213001-01PSUE-GP-EAST-2 and 3.dwg				

**SURFACE - LOCATION**  
 NE/4,NE/4, SEC20, T5N, R65W

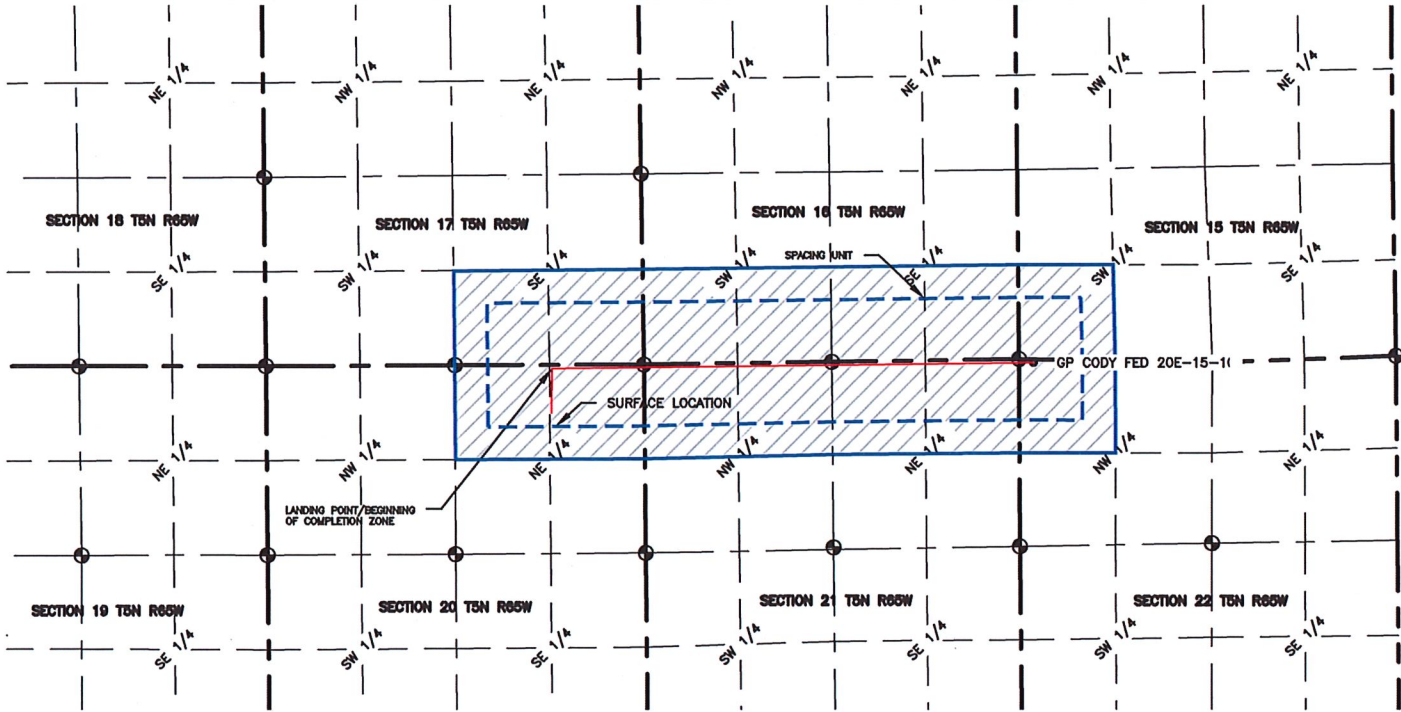


NAME: GP CODY FED 1N  
 SPACING UNIT: SEC 20: N/2NE/4; SEC 21: N/2N/2; SEC 22: NW/4NW/4; SEC 17: S/2SE/4; SEC 16: S/2S/2;  
 SEC 15: SW/4SW/4, T5N, R65W, UNIT ACREAGE: 580



0 2000  
 SCALE: 1" = 2000'  
 U.S. SURVEY FEET

WELL NAME	SURFACE LOCATION				BEGIN HORIZONTAL COMPLETION ZONE				END HORIZONTAL COMPLETION ZONE				COMPLETION ZONE BEARING	COMPLETION ZONE LENGTH
	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.		
GP CODY FED 20E-15-1C	670	FNL	1305	FEL	50	FNL	2350	FWL	44	FNL	200	FWL	S89°18'15"E	6777.87'



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Proposed Spacing Unit Exhibit  
 Greeley Directional Project  
 GP Cody Fed

**LEGEND**

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- QUARTER SECTION LINE
- SIXTEENTH LINE
- △ COMPUTED ALIQUOT CORNER FROM MONUMENT RECORDS
- ⊠ COMPUTED FROM GLO RECORDS

DRAWN BY  
 CPG  
 PATHFILENAME

DATE  
 4/9/2018

COGCC ID  
 332837

PROJECT - TASK NUMBER  
 0213001.01 - greeley directional gp

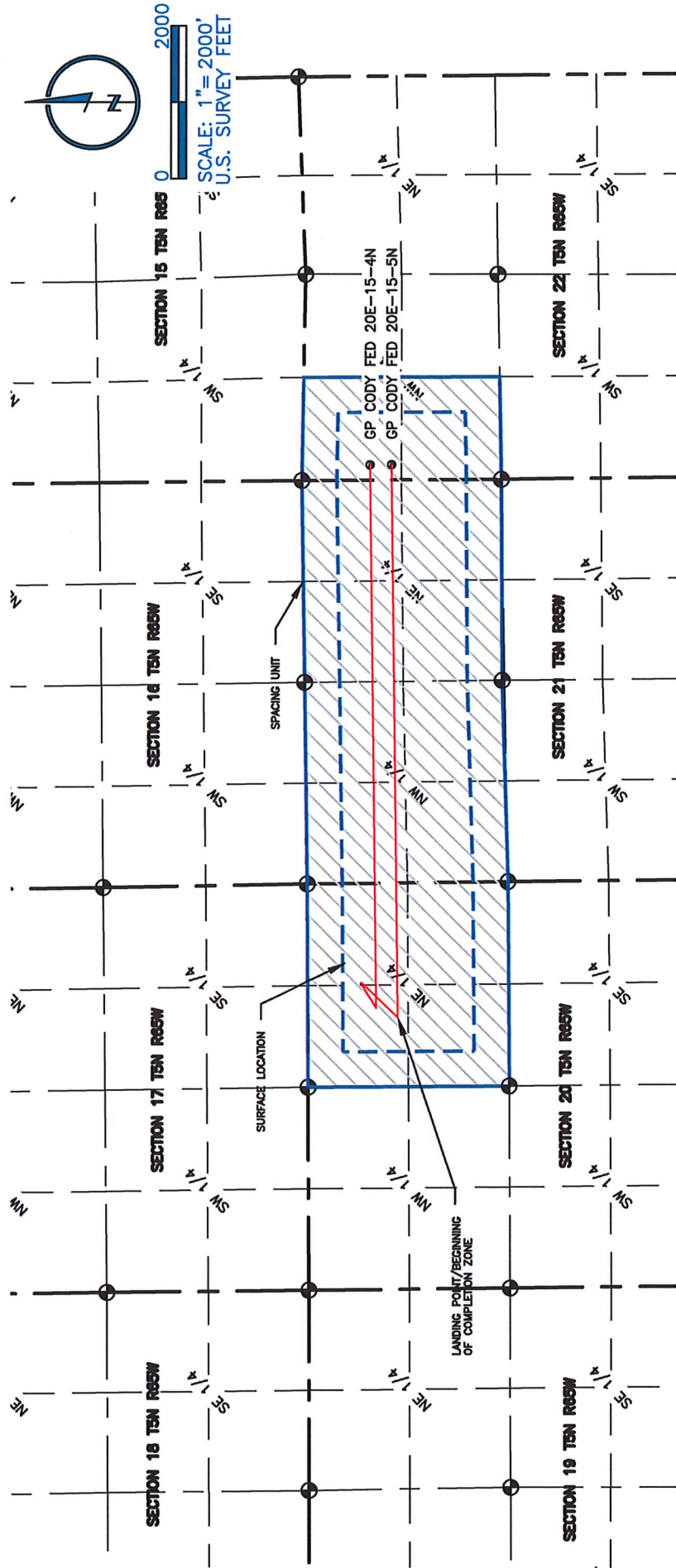
BOOK AND PAGE  
 MR01/MR02

SURFACE - LOCATION  
 NE/4,NE/4, SEC20, T5N, R65W

L:\engineering\0218001.01 xog - greeley directional gp - Proposed Spacing Unit - 0213001\_01R65W\_02E-15-1C.dwg

**NAME: GP CODY FED 4N & 5N  
SPACING UNIT: SEC 20: NE/4; T5N, SEC 21: N/2 SEC 21; SEC 22: W/2NW/4, T5N, R65W,  
UNIT ACREAGE: 560**

WELL NAME	SURFACE LOCATION		BEGIN HORIZONTAL COMPLETION ZONE				END HORIZONTAL COMPLETION ZONE				COMPLETION ZONE BEARING	COMPLETION ZONE LENGTH
	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.	DIR.	DIST.		
GP CODY FED 20E-15-4N	FNL	1305	FEL	903	FNL	1635	FEL	897	FNL	200	FNL	7114.88'
GP CODY FED 20E-15-5N	FNL	1305	FEL	1189	FNL	1759	FEL	1182	FNL	200	FNL	7237.45



**LEGEND**

- ⊙ ALIQUOT CORNER
- ⊕ COMPUTED ALIQUOT CORNER
- ⊖ BOTTOM HOLE
- ⊙ CORNER
- SECTION LINE
- QUARTER SECTION LINE
- SIXTEENTH LINE

COMPUTED ALIQUOT CORNER FROM MONUMENT RECORDS  
COMPUTED FROM GLO RECORDS

Proposed Spacing Unit Exhibit  
Greeley Directional Project  
GP Cody Fed

**SURFACE - LOCATION**  
NE/4, NE/4, SEC20, T5N, R65W

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**LAMP RYNEARSON & ASSOCIATES**

**PROJECT - TASK NUMBER**  
0213001.01

**COGCC ID**  
332837

**DATE**  
4/9/2018

**DRAWN BY**  
CPG

**PATH/FILENAME**  
L:\Engineering\0218001.01 XOG - Greeley Directional GP

**BOOK AND PAGE**  
MR01/MR02





Michael T. Jewell, Esq.  
Shareholder  
mjewell@bfwlaw.com

September 12, 2018

Ms. Julie Murphy, Director  
c/o Ms. Jane Stanczyk, Permit and Technical Services Manager  
Colorado Oil & Gas Conservation Commission  
1120 Lincoln Street - Suite 801  
Denver, Colorado 80203

RE: Protest for Technical Objections Under 318A.e.(5)  
Extraction Oil & Gas, Inc. ("XOG" and/or "Operator")

Township 5 North, Range 65 West, 6<sup>th</sup> P.M.

Section 20: NE $\frac{1}{4}$

Section 21: N $\frac{1}{2}$

Section 22: W $\frac{1}{2}$ NW $\frac{1}{4}$

Containing 560 acres, +/-, Weld County, Colorado ("Cody #1  
Lands")

For the development of the:

**GP Cody FED 20E-15-4N** proposed well

**GP Cody FED 20E-15-5N** proposed well ("Cody #1 Wells")

AND:

Township 5 North, Range 65 West, 6<sup>th</sup> P.M.

Section 15: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 16: S $\frac{1}{2}$ S $\frac{1}{2}$

Section 17: S $\frac{1}{2}$ SE $\frac{1}{4}$

Section 20: N $\frac{1}{2}$ NE $\frac{1}{4}$

Section 21: N $\frac{1}{2}$ N $\frac{1}{2}$

Section 22: NW $\frac{1}{4}$ NW $\frac{1}{4}$

Containing 560 acres, +/-, Weld County, Colorado ("Cody #2  
Lands")

For the development of the:

**GP Cody FED 20E-15-1N** proposed well

**GP Cody FED 20E-15-2C**

**GP Cody FED 20E-15-3N** proposed well ("Cody #2 Wells")

6400 S. Fiddler's Green Circle, Suite  
1000

Greenwood Village, CO 80111

Tel 303 796 2626

[www.bfwlaw.com](http://www.bfwlaw.com)

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c/o Ms. Jane Stanczyk, Permit and Technical Services Manager  
Colorado Oil & Gas Conservation Commission  
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The Cody #1 Wells and the Cody #2 Wells, together, "Cody Wells."  
The Cody #1 Lands and the Cody #2 Lands, together, "Lands."

Exhibit A contains maps of the proposed wellbore of each Well.

Dear Director Murphy:

Burns, Figa & Will, P.C. represents PDC Energy, Inc. ("PDC") in its protest against XOG for technical objections based in Rule 318A.e.(5)(B) ("Objection"). PDC owns leases in the Lands, thereby qualifying PDC as an Owner under the 100-series Rules with proper standing to submit this Objection. We respectfully request that the COGCC suspend any acceptance or review of Applications for Permit to Drill ("APD") for the Cody Wells until the following items are properly addressed under Rule 318A.e.(5):

**Technical Objections Under Rule 318A.e.(5)(B.)**

PDC states its objection to the Cody Wells based on the technical requirements of Rule 318A.e.(5)(B.), which provide that "either waste will be caused, correlative rights will be adversely affected, or that that the operator is not an "owner", as defined in the Act, of the mineral estate(s) through which the wellbore penetrates within the target formation."

A. XOG IS NOT AN "OWNER" UNDER RULE 318A.e.(5)(B.)

On or around August 13, 2018, XOG sent PDC "Notice(s) of Intent to Propose Rule 318A.a.(4)D Horizontal Wells" for the Cody #1 Wells and Cody #2 Wells ("Notices"). The Notices indicate XOG's intention to drill from surface locations from the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 20 of the Lands and penetrate several tracts in which PDC is the sole owner of 100% leasehold ("PDC 100% Lands).

Under the COGCC Rules, an Owner of a mineral estate may object where the "operator is not an 'Owner,' as defined in the Act, of the mineral estate(s) through which the wellbore penetrates within the target formation."<sup>1</sup> Under the Oil and Gas Conservation Act, "Owner" is defined as "the person who has the right to drill into and produce from a pool and to appropriate the oil and gas he produces therefrom either for himself or others or for himself and others, including the Owner of a well capable of producing oil or gas, or both."<sup>2</sup> The COGCC Rules provide an identical definition of "Owner."<sup>3</sup>

<sup>1</sup> Rule 318A.e.(5).B.

<sup>2</sup> C.R.S. § 34-60-103(7)

<sup>3</sup> Rule 100



Ms. Julie Murphy, Director  
c/o Ms. Jane Stanczyk, Permit and Technical Services Manager  
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XOG is not an Owner in the PDC 100% Lands identified under Section B, as XOG does not own any minerals or leasehold.

Furthermore, XOG lacks a Joint Operating Agreement, or any other appropriate contract, that would allow XOG to drill into, manage, or otherwise exercise any rights with PDC's interests. PDC asserts that XOG therefore lacks any right to drill into and/or through PDC 100% Lands, and will commit trespass if XOG drills into and/or through PDC 100% Lands for the development of the Cody Wells.

**B. XOG's PROPOSED OPERATIONS WILL VIOLATE CORRELATIVE RIGHTS**

PDC owns a substantial leasehold in the Lands, including:

1. **64.578036%** leasehold interest, or 361.637 net mineral acres, in the proposed Cody #1 Wells, and
2. **28.80920%** leasehold interest, or 161.33 net mineral acres, in the proposed Cody #2 Wells.
3. **This includes 100% leasehold in the N½NE¼ of Section 21 and the NW¼NW¼ of Section 22 of the Lands.**

XOG's proposed Cody Wells would prevent PDC from efficiently developing its interest in the Lands. PDC invested its assets in acquiring its interests in the Lands, which included an investment in engineering plans and geological understanding that will maximize and protect the correlative rights of PDC's mineral lessors.

COGCC Rule 318A.e.(5)(B) allows for an objection of a well based upon a claim that with such a proposed well "correlative rights will be adversely affected." The Colorado Oil & Gas Conservation Act gives the authority to prevent waste and protect correlative rights to the COGCC, which includes the power to regulate drainage under the provision that "each property will have the opportunity to produce or receive its just and equitable share, subject to the reasonable necessities for the prevention of waste."<sup>4</sup> This statute reflects other authorities, which state that the doctrine of correlative rights provides:

- 1) As a corollary of the rule of capture, each person has? [the] right to produce oil from his land and capture such oil or gas as may be produced from his well, and
- 2) A right of the land owner to be protected against damage to a common source of supply...<sup>5</sup>

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<sup>4</sup> C.R.S. § 34-60-117 (1-2)

<sup>55</sup> "Correlative Rights," Williams & Meyers' Manual of Oil & Gas Terms, 14<sup>th</sup> ed. (2009) (Martin and Kramer, eds.)

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c/o Ms. Jane Stanczyk, Permit and Technical Services Manager  
Colorado Oil & Gas Conservation Commission  
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The best way to honor the Colorado law on correlative rights, and the concept of correlative rights as generally presented above, is by allowing PDC to develop the PDC 100% Lands from adjacent lands in which PDC owns a substantial leasehold interest.

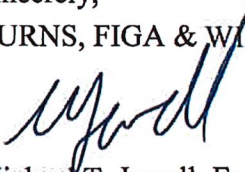
Furthermore, by drilling into PDC's interests in the Lands with this imminent threat to correlative rights, XOG would be violating the reasonably prudent operator standard ("RPO")<sup>6</sup> by failing to recognize PDC's right to develop its leasehold and conferring with PDC before submitting proposals for the Cody Wells that would penetrate PDC 100% Lands, especially for the Cody #1 Wells where PDC is actually the majority owner of the applicable leasehold interests. The RPO fits hand-in-hand with the duty of the COGCC to protect correlative rights for the benefit not only of operators, but also of the lessor mineral owners. Therefore, the COGCC must block the drilling of the Cody Wells until amended drilling plans that protect correlative rights are formulated and agreed between XOG and PDC.

PDC asserts this Objection with utmost concern for its developmental rights. PDC therefore intends to preserve all its legal and administrative rights with the COGCC by filing this Objection while representing that PDC will rescind this Objection immediately upon resolution of the matter.

My signature below also certifies that we have provided an electronic copy of this Objection to Mr. Drew Stout at XOG. Counsel for XOG for this matter is not known at this time.

Thank you for your time. We appreciate your attention to this Objection.

Sincerely,  
BURNS, FIGA & WILL, P.C.



Michael T. Jewell, Esq.

cc: Drew Stout, Extraction Oil & Gas, Inc.

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<sup>6</sup> See, generally, *Rogers et al. v. Westerman Farm Co.*, 29 P.3d 887 (Colo. 2001); *Davis v. Cramer*, 808 P.2d 358 (Colo. 1991)

Ms. Julie Murphy, Director  
c/o Ms. Jane Stanczyk, Permit and Technical Services Manager  
Colorado Oil & Gas Conservation Commission  
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**Exhibit A**

[Attached]



