

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

IN THE MATTER OF THE PROMULGATION AND
ESTABLISHMENT OF FIELD RULES TO GOVERN
OPERATIONS FOR THE NIOBRARA AND CODELL
FORMATIONS, WATTENBERG FIELD, WELD
COUNTY, COLORADO

Cause No. 407

Docket No.

Type:

APPLICATION

Bayswater Exploration & Production LLC, Operator No. 10261, (“Bayswater” 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”), pursuant to Rule 503.b.(10) and the Colorado Oil and Gas Conservation Act, C.R.S. §§ 34-60-101, *et seq.*, for an order to deny Edge Energy II LLC’s (“Edge”) twelve Form 2 Applications for Permits-to-Drill for the Drake Wells (“Current APDs”), further described below, as well as any other subsequent Form 2 Applications for Permits-to-Drill (Current APDs and subsequent APDs collectively referred to “Edge APDs”), submitted by Edge for approval in that certain proposed drilling and spacing unit (“DSU”), located in Sections 13 and 14, Township 7 North, Range 67 West, 6th P.M., under Docket No. 181000816. In support of its Application, Applicant states and alleges as follows:

I. Introduction and Background

1. Bayswater is a limited liability company duly authorized to conduct business in the State of Colorado and has registered as an operator with the Commission.

2. On August 30, 2018, Edge filed with the Commission an application (“Edge Application”) for an order to establish an approximate 1,280-acre drilling and spacing unit (“DSU”) for the below described lands (“Subject Lands”) and authorize the drilling of up to 24 horizontal wells for production of oil, gas and associated hydrocarbons from the Niobrara and Codell Formations, with the productive interval of the permitted horizontal wells within the unit located no closer than 150 feet from the productive interval of any other horizontal wellbore within the same common source of supply, and no closer than 460 feet from the unit boundaries, without exception being granted by the Director:

Township 7 North, Range 67 West, 6th P.M.

Section 13: All

Section 14: All

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

3. Bayswater is an owner in the Subject Lands, retaining an approximate 40% working interest in the DSU. Upon information and belief, Edge retains an approximate 12% working interest in the DSU.

4. On or around August 21, 2018, Edge filed the following Current APDs for development of the Subject Lands:

Drake 14-13-3H	In Process	NWNE	14	7N	67W	Weld	327 FNL 2093 FEL	CODELL
Drake 14-13-5H	In Process	NWNE	14	7N	67W	Weld	338 FNL 2084 FEL	NIOBRARA
Drake 14-13-7H	In Process	NWNE	14	7N	67W	Weld	350 FNL 2074 FEL	NIOBRARA
Drake 14-13-9H	In Process	NWNE	14	7N	67W	Weld	361 FNL 2064 FEL	CODELL
Drake 14-13-11H	In Process	NWNE	14	7N	67W	Weld	372 FNL 2054 FEL	NIOBRARA
Drake 14-13-14H	In Process	NWNE	14	7N	67W	Weld	383 FNL 2044 FEL	NIOBRARA
Drake 14-13-16H	In Process	NWNE	14	7N	67W	Weld	394 FNL 2034 FEL	NIOBRARA
Drake 14-13-18H	In Process	NWNE	14	7N	67W	Weld	406 FNL 2024 FEL	CODELL
Drake 14-13-20H	In Process	NWNE	14	7N	67W	Weld	417 FNL 2014 FEL	NIOBRARA
Drake 14-13-22H	In Process	NWNE	14	7N	67W	Weld	428 FNL 2004 FEL	NIOBRARA
Drake 14-13-24H	In Process	NWNE	14	7N	67W	Weld	440 FNL 1994 FEL	CODELL
Drake 14-13-1H	In Process	NWNE	14	7N	67W	Weld	316 FNL 2103 FEL	NIOBRARA

5. On October 15, 2018, Bayswater filed a protest (“Protest”) of the Edge Application. The Protest asserts, and Bayswater herein maintains, the requested well density and setback distances are insufficient and not appropriate for the Subject Lands, and Edge’s development plan for the Subject Lands will lead to waste and harm Bayswater’s correlative rights.

II. Rule 503.b.(10) Application

The Edge APDs will directly and adversely affect and aggrieve Bayswater. As such, Bayswater is a proper Applicant under Commission Rule 503.b.(10). Further, Edge’s development plan will inhibit drilling on the Subject Lands, thereby preventing efficient and economic recovery of the hydrocarbons underlying the unit and as such, create waste and harm Bayswater’s correlative rights. As such, the Edge APDs should be denied.

Request for hearing on the APD's pursuant to Commission Rule 503.b.(10)

Bayswater hereby filed this Application for hearing on the Edge APDs pursuant to Commission Rule 503.b.(10). Rule 503.b.(10) provides:

“For purposes of seeking relief or a ruling from the Commission on any other matter not described in (1) through (9) above, only persons who can demonstrate that they are directly and adversely affected or aggrieved by the conduct of oil and gas operations or an order of the Commission and that their interest is entitled to legal protection under the Act may be an applicant.”

This Application is filed in accordance with the direct guidance of the COGCC Hearings Staff who informed multiple practitioners on August 15, 2018 that a request for hearing pursuant to Rule 503.b.(10) is the procedural way to proceed with challenges to an operator's APDs. Further, the COGCC Director and Staff informed multiple practitioners on August 15, 2018 that once an APD passes completeness then it is a decision by the Staff that it complies with the Act and can be approved. As such, that initial decision can be the trigger for the immediate direct and adverse effect and harm to another operator's development plans and can serve as the basis for a request for hearing on an APD.

As a leasehold interest Owner in the Subject Lands, Bayswater retains an interest that is entitled to legal protection under the Colorado Oil and Gas Conservation Act. See COGCC 100 Series Rules, Definition of Owner, and COGCC Rule 503.b.(10). Based on the facts set forth above, approval of any Edge APD will directly and adversely affect and aggrieve Bayswater. That is, Bayswater will be substantially affected and aggrieved by the approval of the Edge APDs because resource recovery will be inefficient, uneconomic, and will ultimately cause recoverable hydrocarbons to become unrecoverable and stranded. Based on these facts, Bayswater is a proper Applicant under Commission Rule 503.b.(10).

Approval of the Edge APDs will cause waste and violate Bayswater's correlative rights in violation of the Colorado Oil and Gas Conservation Act

The Colorado Oil and Gas Conservation Act (“Act”), C.R.S. §§ 34-60-101, *et seq.*, requires the Commission to foster efficient and economic development, prevent waste, protect correlative rights, and prevent the drilling of unnecessary wells, while balancing all of the above with the protection of public health, safety, and welfare, including protecting the environment and wildlife. Approval of the Edge APDs, and the subsequent drilling of the wells, will be in direct violation of the Act. Indeed, even an initial determination by the Commission Staff that the Edge APDs can pass completeness is in direct contravention of the Act because such a determination would immediately confirm that waste will occur on the Subject Lands. Edge is entitled the opportunity to present evidence and testimony that the Commission Staff's determination of completeness of the APDs violates the Act.

The Edge APDs identify a surface location for development of the DSU in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 14, Township 7 North, Range 67 West, 6th P.M. ("Edge Surface Location"). This surface location is problematic and will result in waste and harm to correlative rights for two reasons. First, the Edge Surface Location requires highly technical front-builds before each wellbore is in a position for perforation. The sharp curves associated with these front-builds present mechanical problems and make drilling these wells effectively impracticable, if not impossible. Each well carries a substantial risk of wellbore failure, causing waste as no future wells can be drilled in order to recover hydrocarbons from the reservoir. As such, Bayswater maintains that no prudent operator would undertake drilling the wells as permitted. Edge's development plan will therefore act to inhibit drilling on the Subject Lands, preventing the ultimate recovery of the hydrocarbons underlying the unit and as such, violating Bayswater's correlative rights.

Second, Edge's development plan requires drilling wells from the Edge Surface Location going west-to-east. The structural configuration of the reservoir in the Subject Lands, however, necessitates east-to-west drilling for efficient recovery of the reservoir. That is, the reservoir in this DSU exhibits a fairly steep down-to-the-east faulted flexure. Drilling west-to-east would therefore employ suboptimal toe-down drilling, resulting in reduced bit control and increased risk of inadvertent, unintended formation penetration. Inadvertent drilling into the Carlile Shale, for example, can result in significant drilling problems and/or impaired production. In addition, when compared to toe-up drilling, toe-down drilling provides less efficient, suboptimal drainage of the reservoirs once the laterals are drilled. Toe-down drilling requires more wells to maximize recovery, resulting in the drilling of unnecessary wells, and generally results in a lower ultimate recovery factor, thereby stranding resources. The resource recovery will be inefficient, uneconomic, and will ultimately cause recoverable hydrocarbons to become unrecoverable and stranded. Because drilling horizontal wells west-to-east in this area will fail to fully and efficiently recover the resource, doing so will violate Bayswater's correlative rights, and the Edge APDs should therefore be denied.

III. Conclusion

Edge's development plan for the Subject Lands will lead to waste and harm Bayswater's correlative rights. For the foregoing reasons, Edge's APDs should be denied.

IV. Relief Requested

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. Denying the Edge APDs

b. Allow for the full Commission hearing on the Application, and that the Edge APDs be held in abeyance until such time that this Application on the Edge APDs be heard before the full Commission.

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

DATED this 18th day of October, 2018

Respectfully submitted,

**BAYSWATER EXPLORATION &
PRODUCTION LLC**

By: _____

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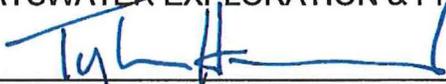
Denver, CO 80202

VERIFICATION

STATE OF COLORADO)
) SS.
CITY AND COUNTY OF DENVER)

Tyler Hammond Landman for Bayswater Exploration & Production LLC, 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.

BAYSWATER EXPLORATION & PRODUCTION LLC



Tyler Hammond
Landman

Subscribed and sworn before me this 18 day of October, 2018,
by Tyler Hammond, Landman for Bayswater Exploration & Production LLC.

Witness my hand and official seal.

My commission expires: 2/1/22



NOTARY PUBLIC

