

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

IN THE MATTER OF THE APPLICATION OF JWM ENERGY )  
HOLDINGS, LLC FOR AN ORDER DECLARING ) CAUSE NO. 407  
APPLICANT’S INTERESTS AS NOT SUBJECT TO COST )  
RECOVERY AND RISK PENALTIES SET FORTH IN ORDER ) DOCKET NO. *To be assigned*  
NO. 407-2081, WHICH POOLED ALL INTERESTS IN THREE )  
APPROXIMATE 715.51-ACRE HORIZONTAL WELLBORE ) TYPE: Pooling  
SPACING UNITS ESTABLISHED FOR CERTAIN LANDS )  
LOCATED IN SECTIONS 25 & 26, TOWNSHIP 6 NORTH, )  
RANGE 64 WEST, 6<sup>TH</sup> P.M., AND SECTION 30, TOWNSHIP )  
6 NORTH, RANGE 63 WEST, 6<sup>TH</sup> P.M., FOR DEVELOPMENT )  
AND OPERATION OF THE CODELL AND NIOBRARA )  
FORMATIONS, AND AUTHORIZED COST RECOVERY )  
AND RISK PENALTIES FROM CERTAIN )  
NONCONSENTING OWNERS FOR THE SHADOW A26-627, )  
SHADOW A26-632 & SHADOW A26-637 WELLS LOCATED )  
WITHIN THE UNIT, WATTENBERG FIELD, WELD )  
COUNTY, COLORADO )

**APPLICATION**

JWM Energy Holdings, LLC (“JWM” or “Applicant”), by and through its undersigned attorneys, Poulson, Odell & Peterson, LLC, respectfully submits this Application to the Oil and Gas Conservation Commission of the State of Colorado (“Commission” or “COGCC”) for an order declaring Applicant’s interests as not subject to the cost recovery and risk penalties set forth in Order No. 407-2081, which pooled all interests within three approximate 715.51-acre horizontal wellbore spacing units established for certain lands located in Sections 25 and 26, Township 6 North, Range 64 West, 6th P.M., and Section 30, Township 6 North, Range 63 West, 6th P.M., for development and operation of the Codell and Niobrara Formations, and authorized cost recovery and risk penalties from certain nonconsenting owners for the drilling, completion and operation of the Shadow A26-627, Shadow A26-632, and Shadow A26-637 wells (“Shadow Wells”). In support of this 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. Applicant is a non-operating working interest owner in the Shadow Wells.
  
2. The wellbore spacing units for the Shadow Wells cover the following described lands established for development and operation of the Codell and Niobrara Formations (“Application Lands”):

Township 6 North, Range 64 West, 6<sup>th</sup> P.M.  
Section 25: S½  
Section 26: SE¼

Township 6 North, Range 63 West, 6<sup>th</sup> P.M.  
Section 30: SW¼ and W½ SE¼

The Application Lands comprise 715.51-acres, more or less. An Application Map depicting the Application Lands is attached hereto and marked Exhibit A.

3. On April 13, 2017, Noble Energy, Inc. (“Noble”), filed a verified Application, pursuant to §34-60-116, C.R.S. (as amended), for an order to pool all interests in three approximate 715.51-acre horizontal wellbore spacing units established for the Application Lands, for development and operation of the Codell and Niobrara Formations, and to subject all nonconsenting parties to the recovery of costs and statutory penalties as prescribed by §34-60-116(7)(b), C.R.S., for the drilling of the Shadow Wells, more particularly defined below.

<i>Well Name / Number</i>	<i>API Number</i>	<i>Target formation</i>
Shadow A26-627	05-123-42918	Niobrara
Shadow A26-632	05-123-42887	Codell
Shadow A26-637	05-123-42884	Niobrara

4. On June 12, 2017, the Commission issued Order No. 407-2081 which, among other things, pooled all interests within three approximate 715.51-acre horizontal wellbore spacing units established for the Application Lands, for development and operation of the Codell and Niobrara Formations, and authorized cost recovery and risk penalties from certain nonconsenting owners for the drilling, completion and operation of the Shadow Wells.

5. Pursuant to §34-60-116, C.R.S., and the Commission’s continuing jurisdiction over pooling orders, JWM seeks an order declaring Applicant’s interests as not subject to the cost recovery and risk penalties set forth in Order No. 407-2081.

*Recitation of Facts in Support of Relief Requested*

6. Bonanza Creek Energy Operating Co., LLC (“Bonanza Creek”) is the predecessor-in-interest to JWM in the Shadow Wells. Bonanza Creek elected to participate as a working interest owner in the Shadow Wells. JWM does not dispute that it is a participating owner in the Shadow Wells.

7. The pooling application that resulted in Order No. 407-2081 attempts to define nonconsenting owners to include “parties failing to honor an election . . . through timely [joint interest billing] payment.” Hereinafter the quoted phrase shall be referred to as the “Contested Language.”

8. JWM contests the operator’s (Noble Energy, Inc., “Noble”) ability to enforce the Contested Language and subject JWM to costs and risk penalties for the following reasons:

- a. The Contested Language was rejected by the Commission and did not appear in Order No. 407-2081;
- b. The Contested Language is not permitted under C.R.S. § 34-60-116, or the Commission’s implementing regulations;
- c. JWM did not receive a copy of the pooling application as required by Rule 503(e). JWM received only a copy of the Hearing Notice; and

d. JWM and Noble reached a separate agreement that allowed Noble to “net” JWM’s interests as a participating owner in the Shadow Wells, meaning Noble would deduct JWM’s share of well costs from its share of well revenues without requiring joint interest billing payments.

9. Noble has since taken the position that JWM is a nonconsenting owner under Order No. 407-2081.

10. 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’s Rules.

11. 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. The names and addresses of interested parties according to the information and belief of the Applicant are set forth in Exhibit B and submitted with a certificate of service for the Application within seven days as required by Rule 503.e.

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. Declaring Applicant’s interests in the Shadow Wells as not subject to the cost recovery and risk penalties set forth in Order No. 407-2081

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

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DATED this 18th day of October, 2018.

Respectfully submitted,

JWM ENERGY HOLDINGS, LLC

By:

*Nick A. Swartzendruber*  
Nick A. Swartzendruber  
Poulson, Odell & Peterson, LLC  
1775 Sherman Street, Suite 1400  
Denver, CO 80203  
(303) 861-4400 (main)  
(303) 264-4425 (direct)

Applicant's Address:  
JWM Energy Holdings, LLC  
7925 Glade Creek Ct.  
Dallas, TX 75218

VERIFICATION

STATE OF TEXAS )  
 ) ss.  
CITY & COUNTY OF DALLAS )

Jacque Wallace Manaugh, Managing Member of JWM Energy Holdings, 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.

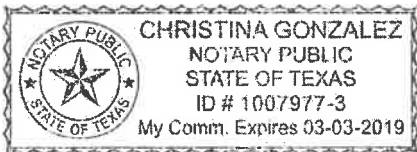
JWM Energy Holdings, LLC

*Jacque Wallace Manaugh*  
Jacque Wallace Manaugh  
18th

Subscribed and sworn to before me this 18th day of October, 2018, by Jacque Wallace Manaugh.

Witness my hand and official seal.

My commission expires: 03/03/2019



*Christina Gonzalez*  
Notary Public