

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

IN THE MATTER OF THE APPLICATION OF) CAUSE NO. 407
CRESTONE PEAK RESOURCES OPERATING LLC)
FOR AN ORDER TO: (1) ESTABLISH AN) DOCKET NO. 170500192
APPROXIMATE 2,560-ACRE DRILLING AND)
SPACING UNIT FOR SECTIONS 3 AND 10,) TYPE: SPACING
TOWNSHIP 1 NORTH, RANGE 69 WEST AND)
SECTIONS 27 AND 34, TOWNSHIP 2 NORTH,)
RANGE 69 WEST, 6TH P.M. IN ACCORDANCE WITH)
A CORRESPONDING COMMISSION RULE 216)
COMPREHENSIVE DRILLING PLAN, (2) ALLOW UP)
TO 72 HORIZONTAL WELLS IN THE 2,560 ACRE)
DRILLING AND SPACING UNIT IN ACCORDANCE)
WITH A CORRESPONDING COMMISSION RULE)
216 COMPREHENSIVE DRILLING PLAN, (3) TO)
APPROVE UP TO SIX OIL AND GAS)
LOCATIONS/WELLPADS (LOCATIONS TO BE)
DETERMINED) IN ACCORDANCE WITH A)
CORRESPONDING COMMISSION RULE 216)
COMPREHENSIVE DRILLING PLAN FOR THE)
DEVELOPMENT AND OPERATION OF THE)
CODELL AND NIOBRARA FORMATIONS,)
WATTENBERG FIELD, BOULDER COUNTY,)
COLORADO, AND (4) TO APPROVE A RULE 502.b.)
VARIANCE TO COMMISSION RULE 303.)

NOTICE OF HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

APPLICATION LANDS

Township 1 North, Range 69 West, 6th P.M.

Section 3: All

Section 10: All

Township 2 North, Range 69 West, 6th P.M.

Section 27: All

Section 34: All

2,560 acres, more or less, Boulder County, Colorado.

APPLICATION

On or before February 22, 2017, as amended on March 17, 2017, Crestone Peak Resources Operating LLC (Operator No. 10633) ("Crestone Peak" or "Applicant"), filed a verified application pursuant C.R.S. 34-60-116 for an order at the May 2017 hearing:

- (1) Approving a Rule 502.b. variance to Rule 303 by placing a temporary hold on accepting and processing any new Form 2, Applications for Permit to Drill, or Form 2A's, Oil and Gas Location Assessments for the Application Lands from any Owner (as defined by C.R.S. 34-60-103(7)) except Applicant as part of Applicant's corresponding Rule 216 Comprehensive Drilling Plan Application and process in Docket No. 170500189, up to and until the Commission has the opportunity to notice, hear and enter an Order on the corresponding Rule 216 Comprehensive Drilling Plan Application in Docket No. 170500189 covering the Application Lands, with such Order including the Applicant's ability to file Form 2's and Form 2A's within a certain amount of time upon entry of such Order as part of Applicant's approved Rule 216 Comprehensive Drilling Plan.
- (2) For such other findings and orders as the Commission may deem proper or advisable in this matter.

And for an order at a future, to be properly noticed in accordance with the Oil and Gas Conservation Act and Commission Rules:

- 1) Establishing an approximate 2,560-acre drilling and spacing unit for Sections 3 and 10, Township 1 North, Range 69 West and Sections 27 and 34, Township 2 North, Range 69 West, 6th P.M., Boulder County, Colorado in accordance with Applicant's corresponding Commission Rule 216 Comprehensive Drilling Plan.
- 2) Allowing up to 72 horizontal wells in the approximate 2,560-acre drilling and spacing unit for the development and operation of the Codell and Niobrara Formations in accordance with Applicant's corresponding Commission Rule 216 Comprehensive Drilling Plan.
- 3) Allowing up to six Oil and Gas Locations/Wellpads, with such locations to be determined, in accordance with Applicant's corresponding Commission Rule 216 Comprehensive Drilling Plan, unless an exception is granted by the Director.
- 4) Providing that the treated interval of any horizontal well shall be no closer than 460 feet from the unit boundaries, and not less than 150 feet from the treated interval of another well within the unit, unless an exception is granted by the Director.
- 5) Finding that the approximate 2,560-acre drilling and spacing unit for the development of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations underlying the Application Lands will prevent waste, protect correlative rights, and maximize the efficient and economic production of the Codell and Niobrara Formations in the Application Lands.
- 6) For such other findings and orders as the Commission may deem proper or advisable in this matter.

APPLICABLE ORDERS AND RULES

(available online at: <http://cogcc.state.co.us>, under "Regulation," then select "Orders" or "Rules")

- On February 19, 1992, the Commission entered Order No. 407-87 which, among other things, established 80 acre drilling and spacing units for vertical and/or directional wells for the production of oil and/or gas from the Codell-Niobrara Formations. The Application Lands are subject to Order No. 407-87 as it applies to the existing vertical and/or directional well development and operation of the Codell and Niobrara Formations on the Application Lands.
- The Application Lands are within the Greater Wattenberg Area ("GWA") and thus are subject to Rule 318A. On April 27, 1998, 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 of the Cretaceous Age Formations from the base of the Dakota Formation to the surface within the GWA. On December 5, 2005, Rule 318A was amended to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. On August 8, 2011, Rule 318A was further amended to, among other things, address drilling of horizontal wells. The August 8, 2011 amendment did not prohibit the establishment of drilling and spacing units within the GWA but the Application Lands will be subject to the four hundred sixty (460) foot subsurface mineral boundary setback for the Codell and Niobrara Formations prescribed under Rule 318A.
- COGCC Rules 303 and 502.b.(1) apply to this Application.

NOTICE IS HEREBY GIVEN, pursuant to §§ 34-60-101 to -130, C.R.S., and the Commission's Rules of Practice and Procedure, 2 CCR 404-1, that the Commission has scheduled the variance request for hearing on:

Date: May 1-2, 2017
 Time: 9:00 a.m.
 Place: Colorado Oil and Gas Conservation Commission
 The Chancery Building
 1120 Lincoln Street, Suite 801
 Denver, CO 80203

Additional information about the hearing on this Application will be in the Commission's Agenda, which is posted on the Commission website approximately 3 days before the hearing.

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 5139, prior to the hearing and arrangements will be made.

At hearing, the Commission will consider the Application and enter an order pursuant to its authority under the statute. **Any interested party desiring to protest or intervene should file with the Commission a written protest or intervention in accordance with Rule 509, no later than April 17, 2017.** Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. One electronic (cogcc.hearings_unit@state.co.us), one original and two copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a**

prehearing conference during the week of April 17, 2017. Pursuant to Rule 511, if the matter is uncontested, it may be approved without a hearing.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Peter Gowen, Acting Secretary

Dated: March 22, 2017

Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203
Website: <http://cogcc.state.co.us>
Phone: (303) 894-2100
Fax: (303) 894-2109

Attorneys for Crestone Peak:
Jamie L. Jost
Kelsey H. Wasylenky
Jost Energy Law, P.C.
1401 17th Street, Suite 370
Denver, Colorado 80202
(720) 446-5620
jjost@jostenergylaw.com
kwasylenky@jostenergylaw.com