



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

IN THE MATTER OF THE PROMULGATION AND) CAUSE NO. 535
ESTABLISHMENT OF FIELD RULES TO GOVERN)
OPERATIONS FOR THE NIOBRARA FORMATION,) DOCKET NO. 171000710
UNNAMED FIELD, ADAMS COUNTY, COLORADO)
) TYPE: POOLING
)
) ORDER NO. 535-891

REPORT OF THE COMMISSION

The Commission heard this matter on October 30, 2017, at the Colorado Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado 80203, upon application for an order to pool all interests underlying an approximate 1,280-acre drilling and spacing unit established for the Application Lands described below, and to subject any non-consenting interests to the cost recovery provisions of §34-60-116(7), C.R.S., effective as of the earlier of the date of the Application, or the date that any of the costs specified in §34-60-116(7)(b), C.R.S., are first incurred for the drilling of the Big Sandy 3-65 36-31 2CH Well (API No. 05-001-10073), the Big Sandy 3-65 36-31 1DH Well (API No. Pending), the Big Sandy 3-65 36-31 2BH Well (API No. Pending), and the Big Sandy 3-65 36-31 2AH Well (API No. Pending) ("Wells") to the Niobrara Formation on the Application Lands.

FINDINGS

The Commission finds as follows:

1. ConocoPhillips Company (Operator No. 19160) including its wholly owned subsidiary Burlington Resources Oil & Gas LP (Operator No. 26580) (together, "COPC" or "Applicant"), as applicant herein, is an interested party in the subject matter of the above-referenced hearing.
2. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.
3. The Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order pursuant to the Oil and Gas Conservation Act.
4. On December 12, 2011, the Commission entered Order No., 535-101, which granted a well location exception to the requirements of Commission Rule 318.a. for certain lands in Section 19 and 31, Township 3 South, Range 64 West, 6th P.M., and Section 19, Township 3 South, Range 65 West, 6th P.M., for the development and production of the oil, gas and related hydrocarbons from the Niobrara Formation, providing that the surface location for each horizontal well drilled within a given section of said lands may be located anywhere within the section or on adjoining lands with appropriate surface owner approval, the lateral of a given horizontal well may enter the Niobrara Formation no closer than 300 feet from the section line, the treated interval within the Niobrara Formation may be located not closer than 460 feet from

the section line, and the distance between the treated interval of Niobrara wells within the Application Lands shall not be less than 920 feet.

5. On September 15, 2014, the Commission entered Order No. 535-531, which vacated a well location exception established by Order No. 535-101 for Section 31, Township 3 South, Range 64 West, 6th P.M., and established a 1,280-acre exploratory drilling and spacing unit for Sections 31 and 32, Township 3 South, Range 64 West, 6th P.M., and approving a total of up to two horizontal wells within the unit for production of oil, gas and associated hydrocarbons from the Niobrara Formation, providing that the productive interval of the wellbore shall be located no closer than 460 feet from the unit boundaries, and no closer than 960 feet from the productive interval of any other wellbore located in the unit, without exception being granted by the Director.

6. On September 14, 2015, the Commission entered Order No. 535-702, which established an approximate 640-acre drilling and spacing unit for Section 36, Township 3 South, Range 65 West, 6th P.M., and approved a total of up to two horizontal wells within the unit, for the production of oil, gas and associated hydrocarbons from the Niobrara Formation, providing that the productive interval of the wellbore will be located no closer than 460 feet from the unit boundaries, and no closer than 150 feet from the productive interval of any other wellbore located in the unit, unless an exception is granted by the Director, and that ConocoPhillips shall submit a Communitization Agreement to the BLM for any existing wells within 60 days of the entry of the Order, and that ConocoPhillips shall submit a Communitization Agreement to the BLM at least 90 days before the anticipated date of first production (as defined in the Commission's Rules) from the initial well drilled within the drilling and spacing unit.

7. On March 20, 2017, the Commission entered Order No. 535-769 which, among other things, 1) vacated an approximate 1280-acre exploratory drilling and spacing unit established by Order No. 535-531 for Sections 31 and 32, Township 3 South, Range 64 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; 2) vacated an approximate 640-acre drilling and spacing unit established by Order No. 535-702 for Section 36, Township 3 South, Range 65 West, 6th P.M., for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation; and 3) established an approximate 1280-acre drilling and spacing unit for Section 36, Township 3 South, Range 65 West, 6th P.M., and Section 31, Township 3 South, Range 64 West, 6th P.M., and approve one horizontal well in the unit for the production of oil, gas and associated hydrocarbons from of the Niobrara Formation.

8. On August 3, 2017, Applicant filed a verified application in Docket No. 171000648 pursuant to §34-60-116, C.R.S. for an order 1) authorizing an additional three horizontal wells, for a total of four horizontal wells in an established approximate 1,280-acre drilling and spacing unit for Section 36, Township 3 South, Range 65 West, 6th P.M., and Section 31, Township 3 South, Range 64 West, 6th P.M., in order to efficiently and economically develop and recover the oil, gas and associated hydrocarbons from of the Niobrara Formation in the unit; 2) providing that the treated interval any horizontal well shall be no closer than 460 feet from the boundaries of the unit and not less than 150 feet from the treated interval of another well within the unit, and authorizing up to two well pads in the unit, or adjacent thereto, unless an exception is granted by the Director; 3) finding that the authorization of up to four horizontal wells in an approximate 1,280-acre drilling and spacing unit for the development of the Niobrara Formation on the Application Lands will prevent waste, protect correlative rights, and maximize the efficient and economic production of the Niobrara Formation in the Application Lands; and 4)

for such other findings and orders as the Commission may deem proper or advisable in this matter. COPC's Application in Docket No. 171000648 was approved at the Commission's October 2017 hearing (Order No. 535-879).

9. On August 31, 2017, amended September 18, 2017, COPC, by its attorneys, filed a verified application ("Application") pursuant to §34-60-116, C.R.S., for an order to pool all interests underlying an approximate 1,280-acre drilling and spacing unit established for the Application Lands described below, and to subject any non-consenting interests to the cost recovery provisions of §34-60-116(7), C.R.S., effective as of the earlier of the date of the Application, or the date that any of the costs specified in §34-60-116(7)(b), C.R.S., are first incurred for the drilling of the Wells to the Niobrara Formation on the following lands (the "Application Lands"):

Township 3 South, Range 64 West, 6th P.M.
Section 31: All

Township 3 South, Range 65 West, 6th P.M.
Section 36: All

10. On October 6, 2017, Applicant, by its attorneys, filed with the Commission a written request to approve the Application based on the merits of the verified application and the supporting exhibits. Sworn written testimony and exhibits were submitted in support of the Application.

11. Land testimony and exhibits submitted in support of the Application by Mark Salvie, Senior Landman for COPC, showed that all nonconsenting interest owners were notified of the Application and received Authority for Expenditures ("AFE") and offers to participate in the Wells. Further testimony concluded that the AFE sent by the Applicant to the interest owners was a fair and reasonable estimate of the costs of the proposed drilling operation and was received at least 35 days prior to the October 30, 2017 hearing date.

12. Land testimony showed the Applicant complied with the requirements of Rule 530., and is entitled to the cost recovery provisions pursuant to §34-60-116(7), C.R.S., for the Wells, but did not provide testimony for any subsequent wells.

13. The above-referenced testimony and exhibits show that granting the Application will allow more efficient reservoir drainage, will prevent waste, will assure a greater ultimate recovery of hydrocarbons, and will not violate correlative rights.

14. COPC agreed to be bound by oral order of the Commission.

15. Based on the facts stated in the verified Application, having received no protests, and based on the Hearing Officer review of the Application under Rule 511, the Commission should enter an order to pool all interests underlying an approximate 1,280-acre drilling and spacing unit established for the Application Lands, and to subject any non-consenting interests to the cost recovery provisions of §34-60-116(7), C.R.S., effective as of the earlier of the date of the Application, or the date that any of the costs specified in §34-60-116(7)(b), C.R.S., are first incurred for the drilling of the Big Sandy 3-65 36-31 2CH Well (API No. 05-001-10073), the Big Sandy 3-65 36-31 1DH Well (API No. Pending), the Big Sandy 3-65 36-31 2BH Well (API No.

Pending), and the Big Sandy 3-65 36-31 2AH Well (API No. Pending) to the Niobrara Formation on the Application Lands.

ORDER

IT IS HEREBY ORDERED:

1. Pursuant to the provisions of §34-60-116, C.R.S., as amended, of the Oil and Gas Conservation Act, all interests in the Application Lands are hereby pooled, for the development and operation of the Niobrara Formation, effective as of the earlier of the date of the Application, or the date that any of the costs specified in §34-60-116(7)(b)(II), C.R.S., are first incurred for the drilling of the Big Sandy 3-65 36-31 2CH Well (API No. 05-001-10073), the Big Sandy 3-65 36-31 1DH Well (API No. Pending), the Big Sandy 3-65 36-31 2BH Well (API No. Pending), and the Big Sandy 3-65 36-31 2AH Well (API No. Pending) to the Niobrara Formation on the following Application Lands.

Township 3 South, Range 64 West, 6th P.M.
Section 31: All

Township 3 South, Range 65 West, 6th P.M.
Section 36: All

2. The production obtained from the drilling and spacing unit shall be allocated to each owner in the unit on the basis of the proportion that the number of acres in such tract bears to the total number of mineral acres within the drilling and spacing unit; each owner of an interest in the drilling and spacing unit shall be entitled to receive its share of the production of the Wells located on the drilling and spacing unit applicable to its interest in the drilling and spacing unit.

3. Any working interest owner who does not elect to participate in the Well(s) or fails to make a timely election is hereby deemed to be nonconsenting and is subject to the penalties as provided for in §34-60-116(7), C.R.S. The nonconsenting working interest owner must reimburse the consenting owners for his proportionate share of the costs and risks of drilling and operating the Well(s) from his proportionate share of production, subject to non-cost bearing interests, until costs and penalties are recovered as set forth in §34-60-116(7), C.R.S.

4. Any unleased owner who does not elect to participate in the Well(s) or fails to make a timely election is hereby deemed to be nonconsenting and is subject to the penalties as provided for in §34-60-116(7), C.R.S. Any party seeking the cost recovery provisions of §34-60-116(7), C.R.S., shall first comply with subsection (d) for any subsequent well(s).

5. Each nonconsenting unleased owner within the drilling and spacing unit shall be treated as the owner of the landowner's royalty to the extent of 12.5% of its record title interest, whatever that interest may be, until such time as the consenting owners recover, only out of each nonconsenting owner's proportionate 87.5% share of production, the costs specified in §34-60-116(7)(b), C.R.S. After recovery of such costs, each unleased nonconsenting mineral owner shall then own its proportionate 8/8ths share of the well, surface facilities and production,

and then be liable for its proportionate share of further costs incurred in connection with the well as if it had originally agreed to the drilling.

6. The operator of the Wells drilled on the above-described drilling and spacing unit shall furnish the nonconsenting owners with a monthly statement of all costs incurred, together with the quantity of oil and gas produced, and the amount of proceeds realized from the sale of production during the preceding month.

7. Nothing in this order is intended to conflict with §34-60-116, C.R.S., as amended. Any conflict that may arise shall be resolved in favor of the statute.

IT IS FURTHER ORDERED:

1. The provisions contained in the above order shall become effective immediately.
2. The Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.
3. Under the State Administrative Procedure Act the Commission considers this Order to be final agency action for purposes of judicial review within 35 days after the date this Order is mailed by the Commission.
4. An application for reconsideration by the Commission of this Order is not required prior to the filing for judicial review.

ENTERED this 27th day of November, 2017, as of October 30, 2017.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 

Julie Spence Prine, Secretary