

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

IN THE MATTER OF CHANGES TO THE RULES) CAUSE NO. 1R
OF PRACTICE AND PROCEDURE OF THE OIL &)
GAS CONSERVATION COMMISSION OF THE) DOCKET NO. 1108-RM-02
STAE OF COLORADO)

COMMENTS OF CHESAPEAKE EXPLORATION LLC

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Chesapeake Exploration LLC (“Chesapeake”) holds substantial leasehold acreage in the Greater Wattenberg Area and submits these comments in support of nearly all of the proposed changes to Rule 318A of the Colorado Oil & Gas Conservation Commission (“Commission”), but requests the Commission modify the rule as currently proposed to limit the effect of portions of the proposed rule to the developed areas of the Greater Wattenberg Area.

For the entire Greater Wattenberg Area, defined in the proposed rule as those lands in Townships 2 South to 7 North and Ranges 61 West to 69 West, Chesapeake supports the following proposed Rules:

318A.b;
318A.c (to the extent applicable without proposed Rule 318A.a);
318A.e (4) through (6); and
318A.f through l.

Chesapeake requests that the following rules be limited to those portions of the Greater Wattenberg Area where there has been significant development of Cretaceous Age formations:

318A.a; and
318A.e (1) through (3).

The proposed rules have been drafted to address the existing well spacing pattern for the “J” Sand, Codell and Niobrara formations in a heavily developed core area where development using horizontal wells is complicated by the existence of many existing vertical wells. This core area includes the following lands (“Core Area”):

Township 1 South, Ranges 67 through 69 West;
Township 1 North, Ranges 66 through 69 West;
Township 2 North, Ranges 64 through 69 West;
Township 3 North, Ranges 64 through 67 West;
Township 4 North, Ranges 63 through 68 West;
Township 5 North, Ranges 63 through 68 West; and
Township 6 North, Ranges 63 through 66 West.

Chesapeake acknowledges additional lands could be included within the Core Area.

The proposed rules are ideal for the Core Area due to the significant development of Cretaceous Age formations within this Core Area as opposed to areas of the Greater Wattenberg Area outside of the Core Area that currently have no development or very little development in

comparison to the Core Area. These areas that have no or limited development of Cretaceous Age formations include, but are not limited to the following lands (Non-Core Area”):

Township 7 North, Ranges 61 through 67 West;
Township 6 North, Ranges 61 through 62 West;
Township 5 North, Ranges 61 through 62 West;
Township 4 North, Ranges 61 through 62 West;
Township 3 North, Ranges 61 through 63 West;
Township 2 North, Ranges 61 through 63 West; and
Township 1 North, Ranges 61 through 65 West.

Proper development of the Cretaceous Age formations within the Non-Core Area may not be best served by application of portions of the proposed rule, which include Rule 318A.a and 318A.e(1) through (3), for the following reasons:

1. The geology of Cretaceous oil and gas reservoirs in portions of the Greater Wattenberg Area outside the Core Area is not well known. The historical pattern of development of the “J” Sand, Codell and Niobrara formations may not be the optimal pattern of development for any of the Cretaceous Age formations.

2. The Core Area has been heavily developed and the proposed amendments to Rule 318A provide an elegant solution to the problem of efficient further development of the Core Area. Portions of the Greater Wattenberg Area east of the Core Area have not been developed, so there is no need to impose rules which limit the way in which this eastern area is developed. In particular, the use of the 400’ and 800’ windows is not only unnecessary, it inhibits efficient development using horizontal wells by forcing surface locations for horizontal wells further from property lines.


3. In much of this eastern area operators are working with little to no existing oil and gas facilities on the surface, so limiting locations to the 400’ and 800’ windows will not result in reducing surface impacts.

4. If the Core Area were to be developed today, it is unlikely it would be developed on the well pattern established by Rule 318A or the proposed amendments to Rule 318A. With new technology and increased knowledge of the reservoir characteristics of Cretaceous Age formations gained over the last 30 years, there are undoubtedly more efficient ways to locate wells to minimize waste, avoid drilling unnecessary wells and protect correlative rights in furtherance of the intent of CRS §34-60-116(4).

5. As more wells are drilled in the eastern portion of the Greater Wattenberg Area and more information is obtained, all of the proposed rules or perhaps more appropriate rules can be applied to this area, which Chesapeake believes in the long run will best satisfy the purpose and intent of Colorado’s statute and minimize conflicts among property owners and oil and gas operators as well as minimize the burden on Commission staff in administering the rule.

Chesapeake realizes that it is relatively new to the Greater Wattenberg Area and acknowledges that it has become involved in the rule making process rather late for which it apologizes. Chesapeake will be extremely active in the Non-Core Area and would appreciate the Commission continuing this matter for another thirty (30) days to allow Chesapeake to further evaluate the proposed rule changes to Rule 318A and consider further comments to such proposed rule changes.

Respectfully submitted,
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