

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

IN THE MATTER OF THE APPLICATION OF	)	
ENCANA OIL & GAS (USA) INC. FOR AN ORDER	)	
ESTABLISHING SPACING AND WELL	)	
LOCATION RULES FOR THE WILLIAMS FORK	)	
AND ILES FORMATIONS OF THE MESAVERDE	)	Cause No. 510
GROUP FOR CERTAIN DESCRIBED LANDS IN	)	Docket No. _____
THE DE BEQUE FIELD, GARFIELD AND MESA	)	
COUNTIES, COLORADO	)	

APPLICATION

EnCana Oil & Gas (USA) Inc. ("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 (the "Commission") for an order establishing field rules applicable to the drilling and producing of wells from the Mesaverde Group covering certain described lands in the De Beque Field, Garfield and Mesa Counties, Colorado and in support of its Application states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado.

2. Applicant owns leasehold interests in the following described lands:

Township 8 South, Range 97 West, 6<sup>th</sup> P.M.  
Section 13: NW/4

Garfield and Mesa Counties, Colorado.

(hereafter the "Application Lands").

3. That with respect to the Williams Fork and Iles Formations of the Mesaverde Group, the Application Lands are currently subject to Commission Rule 318.a., which requires that wells drilled in excess of two thousand five hundred feet (2,500') in depth be located not less than six hundred feet (600') from any lease line, and located not less than one thousand two hundred feet (1,200') from any other producible or producing oil or gas well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing.

4. That to promote efficient drainage within the Williams Fork and Iles Formations of the Mesaverde Group in the Application Lands, the Commission should establish a 160-acre drilling and spacing unit on the Application Lands, with the option to drill up to four (4) wells to the Williams Fork and Iles Formations in the unit, with one permitted well to be located in each quarter quarter section with a setback of at least six hundred feet (600') between such wells and no closer than six hundred feet (600') from the unit boundaries without exception being granted by the Director of the Commission.

5. That establishment of a 160-acre drilling and spacing unit with the right to drill up to four (4) wells in the Williams Fork and Iles Formations creates a drilling and spacing unit that is not smaller than the maximum area that may be economically and efficiently drained by four (4) wells.

6. The setbacks requested herein insure that correlative rights are adequately protected.

7. That the above-proposed spacing and well location rules will allow more efficient drainage of the Williams Fork and Iles Formations of the Mesaverde Group; will prevent waste; will not adversely effect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoir.

8. Applicant commits that wells to be drilled under this Application will be drilled from the surface either vertically or directionally from no more than one pad located on a given quarter quarter section unless exception is granted by the Director of the Colorado Oil and Gas Conservation Commission, and that wells producing from the Iles Formation will not be drilled as stand-alone wells; rather, the Iles Formation will be reached from a concurrently-drilled Williams Fork well. In this manner, the wells will be economic as to both formations.

9. That the names and addresses of the interested parties in this Application according to the information and belief of the Applicant are set forth in Exhibit A hereto.

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 consistent with Applicant's proposals as set forth above.

Dated this 22<sup>nd</sup> day of May, 2006.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: \_\_\_\_\_  
Michael J. Wozniak  
Beatty & Wozniak, P.C.  
Attorneys for Applicant  
216 16<sup>th</sup> Street, Suite 1100  
Denver, Colorado 80202  
(303) 407-4499

Applicant's Address:  
370 17th Street, Suite 1700, Denver, CO 80202

## VERIFICATION

STATE OF COLORADO )  
 ) ss.  
CITY & COUNTY OF DENVER )

Francois Goyer, Land Negotiator of EnCana Oil & Gas (USA) Inc., 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.

ENCANA OIL &amp; GAS (USA) INC.

By: Francois Goyer

Subscribed and sworn to before me this \_\_\_\_ day of May, 2006, by Francois Goyer of EnCana Oil & Gas (USA) Inc.

Witness my hand and official seal. My commission expires: \_\_\_\_\_

Notary Public

[SEAL]

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EXHIBIT A

INTERESTED PARTIES

State Department of Highways  
Division of Highways  
State of Colorado  
4201 East Arkansas Avenue  
Denver, CO 80222

EnCana Oil & Gas (USA) Inc.  
370 17th Street, Suite 1700  
Denver, CO 80202