

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 ILES FORMATION)	
OF THE MESAVERDE GROUP FOR CERTAIN)	Cause No. 510
DESCRIBED LANDS IN THE GRAND VALLEY)	Docket No. _____
FIELD, GARFIELD COUNTY, 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 Grand Valley Field, Garfield County, 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 7 South, Range 96 West, 6th P.M.
Section 27: SW/4

Garfield County, Colorado.

(hereafter the "Application Lands").

3. That with respect to the Iles Formation 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 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 pursuant to Commission Order No. 510-14 dated March 22, 2005, a 160-acre drilling and spacing unit was established in the Application Lands for the production of gas from the Williams Fork Formation, allowing the number of wells which may be optionally drilled into and produced from the Williams Fork formation to the equivalent of one well per 10 acres, with permitted wells to be located anywhere in the drilling and spacing unit but no closer than 100 feet from the boundaries of the unit, except that where the established unit abuts or corners lands in respect of which the Commission has not at the time of drilling permit application granted the right to drill 10 acre density Williams Fork Formation wells, the well shall be located downhole no closer than 200 feet from the boundary of the drilling unit.

5. That Applicant has drilled, tested and completed a well to the Iles Formation of the Mesaverde Group on the Application Lands.

6. That to promote efficient drainage within the Iles Formation 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 a total of two (2) wells to the Iles Formation in the unit, with the permitted wells to be located in the NW/4 SW/4 and the SE/4 SW/4 of Section 27 and no closer than 600 feet from the unit boundaries without exception being granted by the Director of the Commission.

7. That the above-proposed spacing and well location rules will allow more efficient drainage of the Iles Formation 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 an existing or 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 ____ day of May, 2006.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: _____
Michael J. Wozniak
Beatty & Wozniak, P.C.
Attorneys for Applicant
216 16th 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 & 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

Union Pacific Railroad Corporation
1400 Douglas Street, Stop 1640
Omaha, NE 68719-1640

Colorado Department of Transportation
4201 E. Arkansas Ave
Denver, CO 80222

Joan Wright
3766 North 15th Court
Grand Junction, CO 81506

Janet Smallwood
c/o 3766 North 15th Court
Grand Junction, CO 81506

Joseph Casteel
507 South 2nd Street
Carbondale, CO 81623

Williams Production RMT Company
1515 Arapahoe St, Tower 3,
Suite 1000
Denver, CO 80202