

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. 139
DESCRIBED LANDS IN THE RULISON FIELD,	)	Docket No. _____
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 spacing rules applicable to the drilling and producing of wells from the Iles Formation of the Mesaverde Group covering certain described lands in the Rulison 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 8 South, Range 96 West, 6<sup>th</sup> P.M.  
Section 3: N/2 SW/4  
Section 4: E/2 SE/4

Garfield County, Colorado.

(hereafter the "Application Lands")

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

4. That the Application Lands were recently spaced with respect to the Williams Fork Formation pursuant to Order No. 139-54, which established 40-acre drilling and spacing units and allowed the equivalent of one well per 20 acres, the permitted wells to be located downhole anywhere in the drilling and spacing unit but no closer than 200 feet from the boundaries of the unit and no closer than 400 feet from any existing Williams Fork well, without exception being granted by the Director, and the permitted wells to 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 Commission.

5. That Applicant has drilled, tested and completed multiple wells in the Iles Formations of the Mesaverde Group upon the Application Lands and/or other nearby lands.

6. That to promote efficient drainage within the Iles Formation of the Mesaverde Group of the Application Lands, the Commission should establish drilling and spacing units consistent with those established for the Williams Fork and also increase the number of wells which can be optionally drilled into and produced from the Iles in each drilling unit to the equivalent of one well per 20 acres, or two wells for each 40-acre drilling and spacing unit.

7. That as to all future Iles wells to be drilled upon the Application Lands, each well may be located downhole in the established drilling and spacing unit but no closer than 200 feet from the boundaries of the unit and no closer than 400 feet from any existing Iles well without exception being granted by the Director of the Oil and Gas Conservation Commission.

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 both the Williams Fork and Iles formations will be reached from a single wellbore, *i.e.*, separate wells will not be drilled to reach each formation.

9. 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 affect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoir.

10. That the names and addresses of the interested parties according to the information and belief of the Applicant are set forth in Exhibit A attached hereto and made a part hereof.

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 17th day of April, 2006.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: \_\_\_\_\_  
Erika Zimmer Enger  
Beatty & Wozniak, P.C.  
Attorneys for Applicant  
216 16<sup>th</sup> Street, Suite 1100  
Denver, Colorado 80202  
Telephone (303) 407-4499  
Facsimile (303) 407-4494

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 April, 2006, by Francois Goyer of EnCana Oil & Gas (USA) Inc.

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

Notary Public

EXHIBIT A

INTERESTED PARTIES

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	)	

ABO Petroleum Corporation  
105 S. 4th Street  
Artesia, NM 88210

MAB Resources, LLC  
1660 Lincoln Street, Suite 1900  
Denver, CO 80264

Myco Industries, Inc.  
105 S. 4th Street  
Artesia, NM 88210

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

Yates Drilling Company  
105 S. 4th Street  
Artesia, NM 88210

Yates Petroleum  
Corporation  
105 S. 4th Street  
Artesia, NM 88210

Apollo Energy, LLC  
1557 Ogden St, Suite 300  
Denver, CO 80218

Henry H. Gordon  
10858 E. Berry Place  
Englewood, CO 80111

Pamela Morris Cooper  
920 Meeker Street  
Fort Morgan, CO 80701

Steven W. & Sherry L. Keinath  
PO Box 5628  
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