

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 WELL LOCATION RULES FOR	)	
THE WILLIAMS FORK AND ILES FORMATIONS	)	
OF THE MESAVERDE GROUP FOR CERTAIN	)	Cause No. 440
DESCRIBED LANDS IN THE RULISON FIELD	)	Docket No. _____
AREA, 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 Williams Fork and Iles Formations of the Mesaverde Group covering certain described lands in the Rulison area, 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 95 West, 6<sup>th</sup> P.M.  
Section 16: E/2

Garfield County, Colorado.

(hereafter the “Application Lands”).

3. That the Application Lands are subject to various Orders of the Commission including Order No. 440-18 designating a 320-acre drilling and spacing unit, and allowing up to eight (8) optional wells as described herein. As a result, allowable well density on the Application Lands is one (1) well per 40-acre tract for the Williams Fork Formation and one (1) well per 40-acre tract for the Iles formation with setbacks of 400 feet from the outer boundary of the drilling and spacing unit and an interwell setback of 800 feet. Through this Application, the Applicant requests the effective well density be the equivalent of one well per 20 acres for both the Williams Fork and the Iles Formations, and that the setback requirements be 200 feet from the boundaries of the drilling and spacing unit and 400 feet from any existing Williams Fork or Iles well absent an exception from the Commission.

4. That Applicant has drilled, tested and completed multiple wells in the Williams Fork and Iles Formations of the Mesaverde Group upon the lands nearby to Application Lands.

5. That to promote efficient drainage within the Williams Fork and Iles Formations of the Mesaverde Group of the Application Lands, the Commission should apply consistent rules

to the Application Lands to increase the number of wells which can be optionally drilled into and produced from each of the Williams Fork and Iles Formation of the Application Lands which constitute existing drilling units (or portions thereof) to the equivalent of one well per 20 acres, or 16 wells for the previously-established 320-acre drilling and spacing unit.

6. That as to all future Williams Fork/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 Williams Fork or Iles well without exception being granted by the Director of the Oil and Gas Conservation Commission.

7. 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. In this manner the wells will be economic as to both formations.

8. That the above-proposed density 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.

9. 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, and the undersigned certifies that copies of this Application shall be served on each interested party within the next seven days as required by Rule 503.d.

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 5th day of September, 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 )

Cynthia Crewson, Land Negotiator of EnCana Oil & Gas (USA) Inc., upon oath deposes and says that she 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: \_\_\_\_\_  
Cynthia Crewson, Land Negotiator

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 2006, by Cynthia Crewson, Land Negotiator 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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Kenneth G. and Christie M. Hagen 3400 E. 64th Avenue Commerce City, CO 80022	ABO Petroleum Corporation 105 S 4th Street Artesia, NM 88210	Exxon Mobil Corporation P. O. Box 4697 Houston, TX 77210
Myco Industries, Inc. 105 S 4th Street Artesia, NM 88210	Bill Barrett Corporation 1099 18th Street, Suite 2300 Denver, CO 80202	Yates Petroleum Corporation Yates Drilling Company 105 S 4th Street Artesia, NM 88210
Williams Production RMT Company 1515 Arapahoe St, Tower 3, Ste 1500 Denver, CO 80202	Pioneer Natural Resources USA Inc. 1401 17th St, Suite 1200 Denver, CO 80202	Jesse Smith Garfield County 144 E. 3rd Rifle, CO 81650
EnCana Oil & Gas (USA) Inc. 370 17th Street, Suite 1700 Denver, CO 80202		