

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	)	Cause No. 440
OF THE MESAVERDE GROUP FOR	)	Docket No. _____
CERTAIN DESCRIBED LANDS IN THE	)	
PARACHUTE FIELD 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 spacing and well location 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 Parachute 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 17: E/2E/2

Garfield County, Colorado.

(hereafter the "Application Lands").

3. Pursuant to COGCC Order 440-12, an approximate 320-acre drilling and spacing unit for the Williams Fork Formation was established. Through Order 440-12, the said drilling and spacing unit of 320-acres shall consist of the E/2 and W/2 or the N/2 and S/2 of a section. The first well permitted in a section designates the drilling unit and shall be located no closer than 600 feet from the boundaries of said unit and no closer than 1200 feet from any well producing or producible from the same formation for each governmental section at the option of the operator of the unit(s).

4. Rule 318.a. of the Commission Rules and Regulations applies to the Iles Formation underlying the Applications Lands which requires that wells drilled in excess of two thousand five hundred (2500) 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 (1200) feet from any other producible or drilling oil or gas well to the same common source of supply.

5. Through this Application, the Applicant requests to vacate the 320-acre drilling and spacing unit as to the Application Lands and establish 40-acre drilling and spacing units for the Application Lands for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formation. Additionally, 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. Such unit is not smaller than the maximum area that can be economically and efficiently drained by eight wells.

6. 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.

7. 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.

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

10. That the above-proposed spacing unit, 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 reservoirs.

11. 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 6<sup>th</sup> day of July, 2007.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: \_\_\_\_\_  
Michael J. Wozniak  
Susan L. Aldridge  
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 & GAS (USA) INC.

By: \_\_\_\_\_  
Cynthia Crewson, Land Negotiator

Subscribed and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 2007, 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

JRMD, LLC  
P.O. Box 1926  
Rifle, CO 81650-1926

Fred O. Gardner/heirs, assigns  
c/o Ethel J. Gardner  
128 E. 3<sup>rd</sup>  
Parachute, CO 81635

Cecil Gardner  
P.O. Box 425  
Parachute, CO 81635-0425

Battlement Mesa Company  
P.O. Box 6000  
Battlement Mesa, CO 81636-6000

Williams Production RMT Company  
1515 Arapahoe Street, Tower 3, Suite 1500  
Denver, CO 80202

Bonneville Fuels Corporation  
1700 Broadway, Suite 1150  
Denver, CO 80202

Yates Drilling Company  
105 S 4<sup>th</sup> Street  
Artesia, NM 88210

ABO Petroleum Corporation  
105 S 4<sup>th</sup> Street  
Artesia, NM 88210

Myco Industries, Inc.  
105 S 4<sup>th</sup> Street  
Artesia, NM 88210

Yates Petroleum Corporation  
105 S 4<sup>th</sup> Street  
Artesia, NM 88210

Exxon Mobil Corporation  
PO Box 53  
Houston, TX 77001-0053

Apollo Energy, LLC  
1557 Ogden Street, Suit 300  
Denver, CO 80218

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

Estate of Shaunacy Addison Gates  
c/o Rex Elliott Emir Gates  
P.O. Box 1195  
Jenks, OK 74037-3658

Sharon I. Gardner  
1236 302 Road  
Parachute, CO 81635

Michelle L. Foster  
0561 County Road 303  
Parachute, CO 81635

MAP2004-OK  
c/o Mineral Acquisition Partners  
100 Park Avenue, Suite 1008  
Oklahoma City, OK 73102

Loretta L. Briteman  
156 Eloisa  
Santa Paula, CA 93060

Myrtle L. Chaffee  
160 N. Gibbs  
Santa Paula, CA 93060

Nellie L. Hefty  
506 F Street  
La Grande, OR 97850

Fossil Creek Land Company  
P.O. Box 485  
Mustang, OK 73064

Charles W. and Patty N. Brown, LLC  
P.O. Box 587  
Marlow, OK 73055

Arvill T. Anderson  
561 County Road 303  
Parachute, CO 81635-9205

Edward A. Stierberger, Trustee  
80 North Oak Street  
Union, MO 63084

Burlington Resources Oil and Gas Company  
717 Texas Avenue, Suite 2100  
Houston, TX 77002-2712

Tosco Corporation  
10100 Santa Monica Boulevard  
Los Angeles, CA 90067

Mobil Exploration and Producing North America, Inc.  
P.O. Box 5444  
Denver, CO 80217

Jesse Smith  
Garfield County  
144 E. 3<sup>rd</sup> St., Suite 203  
Rifle, CO 81650