

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)	Cause Nos. 139 and 440
GROUP FOR CERTAIN DESCRIBED LANDS)	Docket No. 0107-SP-_____
IN THE RULISON 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 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, 6th P.M.
Section 11: E½
Section 11: W½

Garfield County, Colorado.

(hereafter the “Application Lands”).

3. That the Application Lands are subject to various Orders of the Commission including Amended and Corrected Order Nos. 139-28 and 440-16 designating 320-acre drilling and spacing units, and allowing up to eight (8) optional wells as described therein and establishing 400’ unit line setbacks and 800’ interwell setbacks for the Williams Fork Formation. As a result, allowable well density on the Application Lands is one (1) well per 40-acre tract for the Williams Fork Formation.

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 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. The E½ of Section 11 shall remain a 320-acre drilling and spacing unit as established for the Williams Fork Formation with the well densities and setbacks as described herein above. However, with respect to the W½ of said Section 11, Applicant requests that 2-160-acre drilling and spacing units, being the NW¼ and the SW¼, be created in lieu of the existing 320-acre W½ drilling and spacing unit to maximize the economic and efficient production of the Williams Fork and Iles Formation with the well densities and setbacks as described above. Such units are 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, or 16 wells for the previously-established 320-acre drilling and spacing unit comprised of the E½ of Section 11, and 8 wells for each of the requested 160-acre drilling and spacing units to be established in the NW¼ and the SW¼ of said Section 11.

8. 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.

9. 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 units, 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 ____ day of November, 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)

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 _____, 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

ABO Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

Antero Resources Corporation
1625 17th Street, Suite 300
Denver, CO 80202

Barrett D. Baker
717 17th Street, Suite 1545
Denver, CO 80202

Barrett Piceance, LLC

Craig L. Hayward & Christy A.
Koeneke
1650 38th Street, Suite 101W
Boulder, CO 80301

Delbarco, Inc.
PO Box 781581
Wichita, KS 67278

Donna L. Austin
767 County Road 338
Parachute, CO 81635

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

Eugene E. Washburn & Jerra L. Washburn
266 County Road 338
Parachute, CO 81635

Exxon Mobil Corporation
PO Box 4697
Houston, TX 77210

Focus Energy LLC
730 17th Street, Suite 925
Denver, CO 80202

Fuel Resources Development Company
1225 17th Street, #2100
Denver, CO 80202

Gasconade Oil Company
410 17th Street, Suite 1180
Denver, CO 80202

Gunsmoke Production Company
1720 Wazee Street, Suite 2E
Denver, CO 80202

Helm Energy, LLC
5251 DTC Parkway, #425
Greenwood Village, CO 80111

John J. Watson
PO Box 68 21 Delaware Road
Easton, CT 06612-2103

KAB Acquisition, LLLP-VI
410 17th Street, Suite 1151
Denver, CO 80202

Kevin C. Whelan & Kimberly S. Whelan
484 County Road 338
Parachute, CO 81635

Kristine M. Peterson
2525 S. Wadsworth Blvd., Suite 303
Lakewood, CO 80227

MAP 0304
100 Park Ave, Suite 1008
Oklahoma City, OK 73102

Mary R. Anderson
PO Box 63
Parachute, CO 81635

Mesa Acres, LLC
1650 38th Street, Suite 101W
Boulder, CO 80301

Mobil Exploration and Production
Box 650232
Dallas, TX 75265

Morse Energy Partners, LLC
410 17th Street, Suite 1150
Denver, CO 80202

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

North America
Box 650232
Dallas, TX 75265

Northwest Exploration Company
PO Box 5800, Terminal Annex
Denver, CO 80217

Petro Yates, Inc.
105 South 4th Street
Artesia, NM 88210

Pioneer Natural Resources USA Inc.
1401 17th Street, Suite 1200
Denver, CO 80202

Puckett Land Company
5460 South Quebec St., #250
Greenwood Village, CO 80111

Riggs Oil & Gas Corporation
PO Box 711
Farmington, NM 84799

Rulison Production Production Company LLC
One Williams Center
Tulsa, OK 74172

Veco Drilling, Inc.
PO Box 1705
Grand Junction, CO 81502

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

Yates Drilling Company
105 South 4th Street
Artesia, NM 88210

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

Zenith Drilling Corporation
505 Fourth Financial Center
Wichita, KS 67202

Timothy Pinson
Garfield County
Henry Building
144 E. 3rd Street
Rifle, CO 81650

