

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 PARACHUTE 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 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, 6th P.M.
Section 19: All

Garfield County, Colorado.

(hereafter the “Application Lands”).

3. That the Application Lands are subject to Orders Nos. 139-31 and 440-18 of the Commission. Order No. 440-18 designates a 640-acre drilling and spacing unit, and allows up to sixteen (16) optional wells as described herein. Through this Application, Applicant wishes to segregate the existing 640-acre drilling and spacing unit into two (2) 320-acre drilling and spacing units.

4. Additionally, as a 640-acre drilling and spacing unit, 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, and upon the segregation to (2) 320-acre drilling and spacing units, 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.

5. 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.

6. 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 in the new two (2) 320-acre units.

7. 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.

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.

9. 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.

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 _____ day of March, 2007.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: _____
Michael J. Wozniak
Susan L. Aldridge
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 March, 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

ABO Petroleum Corporation
Myco Industries, Inc.
Yates Drilling Company
Yates Petroleum Company
105 S 4th Street
Artesia, NM 88210

Apollo Energy, LLC
1557 Ogden St., Ste #300
Denver, CO 80218

Battlement Mesa Company &
Battlement Mesa, Inc.
700 County Road 303
Parachute, CO 81635

Bonneville Fuels Corporation
1700 Broadway, Suite 1150
Denver, CO 80290

Burlington Resources Oil
& Gas Company LP
PO Box 4239
Houston, TX 77210

Chevron Midcontinent LP
11111 S. Wilcrest
Houston, TX 77099

Costilla Petroleum Corporation
511 West Texas
Midland, TX 79701

Dominion Oklahoma Texas
Exploration & Production
14000 Quail Springs Pkwy.
Oklahoma City, OK 73134

ERC Industries, Inc.
1675 Larimer Street, #500
Denver, CO 80202

Exxon Corporation
PO Box 53
Houston, TX 77001

Exxon Mobil Corporation
PO Box 4610
Houston, TX 77210

Exxon Mobil Corporation
PO Box 4697
Houston, TX 77210

Farm Credit Bank of Wichita
PO Box 2940
Wichita, KS 67201

First Church of Christ, Scientist
Harding & Carbone, Inc.
3903 Bellaire Blvd.
Houston, TX 77025

Graham Resources Inc.
3510 N. Causeway Blvd.
Metairie, LA 70011

HCC Dev, Inc., a Delaware Corporation
1221 McKinney St.
Houston, TX 77010

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

Mona G. Gardner, Marke E. Gardner,
and Daniel R. Gardner
1236 County Road 302
Parachute, CO 81635

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

Riata Energy Inc.
5912 Amarillo Blvd W.
Amarillo, TX 79106

Shideler Energy Co., LLC
4128 County Road 315
Silt, CO 81652

Williams Production RMT Company
1515 Arapahoe Street
Tower 3, Ste #1000
Denver, CO 80202

Zenith Drilling Corporation
PO Box 78048
Wichita, KS 67278

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