

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 THE NORTH PARACHUTE)	Cause No. 510
RANCH UNIT FOR THE WILLIAMS FORK)	
FORMATION OF THE MESAVERDE GROUP)	Docket No. _____
FOR CERTAIN DESCRIBED LANDS IN THE)	
GRAND VALLEY FIELD, 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 the North Parachute Ranch Unit ("Unit") for the purpose of drilling and producing of wells from the Williams Fork Formation of the Mesaverde Group covering certain described lands in the Grand Valley 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 and the acreage encompassed therein:

Township 5 South, Range 95 West

Section 15: S/2, S/2N/2

Section 16: S/2, that portion of the SW/4NW/4 and S/2NE/4 lying south of the southernmost Mahogany Marker as it existed on September 14, 1970

Section 17: S/2S/2, that portion of the S/2NE/4 lying south of the southernmost Mahogany Marker as it existed on September 14, 1970

Section 19: Lots 1, 2, 5, 6, 7, 12, E/2 (560 acres)

Section 20: All

Section 21: All

Section 22: All

Section 27: All

Section 28: All

Section 29: All

Section 30: Lots 1, 7, NE/4, SE/4SE/4

Section 31: Lots 1, 6, 7, 8, 11, 12, E/2

Section 32: All

Section 33: All

Section 34: All

Township 6 South, Range 96 West

Section 1: Lots 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14

Section 2: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, S/2

Section 3: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, E/2SW/4, SE/4

Section 4: Lots 1, 3, 4, 5, 6, 7, 8, 9, 13, 14, S/2NW/4

Section 9: Lots, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15

Section 10: Lots 1, 2, 3, 4, E/2W/2, NE/4, SE/4

Section 15: E/2, E/2W/2
Section 16: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, SE/4
Section 21: Lots 6, 7, E/2NW/4, NE/4, N/2SE/4
Section 22: Lots 1, 2, N/2, N/2SW/4

Total acreage 13,642.00

Garfield County, Colorado.

(hereafter the "Application Lands").

3. Applicant is the surface owner of the Application Lands. An affiliate of Applicant owns the mineral interest under the Application Lands.

4. The Application Lands are subject to Commission Orders No. 479-15 and No. 510-13 dated April 1, 2005, for the Williams Fork Formation, which established 10-acre density for the Williams Fork formation with no more than 4 wells per quarter quarter section, with permitted wells to be located anywhere in the drilling and spacing units but no closer than 100 feet from the boundaries of each individual drilling and spacing unit, except that where the established unit abuts or corners lands in respect of which the Commission has not established 10-acre density Williams Fork Formation wells, the well shall be located downhole no closer than 200 feet from the boundary of the drilling and spacing unit.

5. Since many portions of the Application Lands are irregular sections containing lots and irregular boundaries, the above-referenced orders of the Commission limit Applicant's ability to effectively and efficiently develop its leasehold and mineral interest resulting in waste unless addressed through the requested relief herein. Since issuing the above-referenced Orders, the Commission has issued a policy to resolve discrepancies between 10-acre density orders and irregular sections within those spacing orders ("Irregular Section Policy"). According to the Irregular Section Policy, applicants are encouraged to request variances to address spacing issues relating to the irregular sections. In lieu of such variance requests, Applicant requests that the Unit be established.

6. Applicant wishes to create a unit pursuant to § 34-60-118 C.R.S. for the Application Lands. The creation of this Unit does not alter the previously established well density or setbacks to the outer boundary of the Unit. Applicant requests the option of locating bottomholes anywhere within the Unit, including the irregular lots and sections, such that the overall Williams Fork well density in the Application Lands will remain at 1 well per 10 acres. The establishment of the Unit will allow the Applicant to maximize the recovery of hydrocarbons that would otherwise not be recovered from the irregular sections. The requested relief will also minimize surface disturbance by allowing Applicant to effectively produce hydrocarbons from centralized locations. The use of centralized locations will also allow Applicant to maximize recovery of reserves from areas with challenging topography. The Unit operations will further protect the correlative rights of adjacent mineral owners outside the proposed Unit boundaries because established and ordered setbacks will remain in effect from the outer boundary of the Unit.

7. The Unit and bottomhole location considerations outlined above will prevent waste and are reasonably necessary to increase the ultimate recovery of gas from the Unit. Further, the value of the estimated additional recovery of oil or gas exceeds the estimated additional cost incident to conducting such operations.

8. The Applicant will enter into a unit operating agreement for the above-referenced acreage by the date this matter is heard by the Commission. The operating agreement sets

forth terms that are just and reasonable and will prescribe a plan for unit operations pursuant to C.R.S. § 34-60-118(4).

9. The Applicant will be named the operator of the Unit.

10. The Unit Agreement and Unit Operating Agreement will be approved by the parties who will pay at least eighty percent (80%) of the costs of the unit operations and by the eighty percent (80%) of the royalty owners pursuant to C.R.S. § 34-60-118(5).

11. In order to promote efficient drainage within the Mesaverde Group in the Application Lands, the Commission should establish the North Parachute Ranch Unit. A copy of the Unit Agreement and Unit Operating Agreement will be provided by the time the hearing is held on this matter. Unit operations will more efficiently produce hydrocarbons from the mineral interests on these lands.

12. The names and addresses of the interested parties in this Application according to the information and belief of the Applicant are set forth in Exhibit A hereto.

13. Pursuant to COGCC Rule 401, a plat showing the Unit Boundaries and wells upon the Application Lands is attached as Exhibit B.

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 February 2009.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: _____
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Applicant's Address:
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VERIFICATION

STATE OF COLORADO)
) ss.
CITY & COUNTY OF DENVER)

Kirsten Orahood, Group Lead, Land, North Piceance Team, 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 her knowledge, information and belief.

ENCANA OIL & GAS (USA) INC.

By: _____
Kirsten Orahood

Subscribed and sworn to before me this ____ day of February, 2009, by Kirsten Orahood of EnCana Oil & Gas (USA) Inc.

Witness my hand and official seal. My commission expires:_____

Notary Public

[SEAL]

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COLORADO)	

EXHIBIT A

INTERESTED PARTIES

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