

BEFORE THE OIL & GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)
ENCANA OIL & GAS (USA) INC. FOR AN)
ORDER POOLING NONCONSENTING)
INTERESTS IN THE CODELL, NIOBRARA,)
AND J-SAND FORMATIONS IN A)
DESIGNATED WELLBORE SPACING UNIT)
LOCATED IN THE WATTENBERG FIELD,)
WELD COUNTY, COLORADO

Cause No. _____

Docket No. _____

APPLICATION

COMES NOW Encana Oil & Gas (USA) Inc. (referred to herein as “Applicant”), by and through its undersigned attorneys, and makes application to the Colorado Oil and Gas Conservation Commission (“Commission”), for an order to pool all interests within a designated wellbore spacing unit for the drilling of a well to produce from the Codell, Niobrara, and J-Sand Formations located in Section 22, Township 2 North, Range 68 West, 6th P.M. Weld County, Colorado. In support thereof, the Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado.
2. Applicant owns certain leasehold interests in the wellbore spacing unit requested for pooling.
3. On October 19, 1981, the Commission issued Order No. 232-23 which amended Order No. 232-20 to include Section 22, Township 2 North, Range 68 West, among other lands. Order No. 232-20 amended Order No. 232-1 by allowing the drilling of an additional well on each 320-acre drilling and spacing unit for the production of gas and associated hydrocarbons from the J-Sand formation as established in Order No. 232-1.
4. On December 19, 1983, the Commission issued Order No. 407-1 (amended on March 29, 2000 in accordance with Order No. 407-17, entered November 18, 1985), which among other things, established 80-acre drilling and spacing units for the production of oil and/or gas and associated hydrocarbons from the Codell Formation underlying certain lands, including Section 22, Township 2 North, Range 68 West, 6th P.M., with the drilling and spacing unit to be designated by the operator drilling the first well in the quarter section, (or the Director, if the operator fails to designate). The permitted well shall be located in the center of either 40-acre tract within the drilling and spacing unit with a tolerance of 200 feet in any direction. The operator shall have the option to drill an additional well on the undrilled 40-acre tract in each 80-acre drilling and spacing unit.
5. On February 19, 1992, the Commission issued Order No. 407-87 (amended August 20, 1993), which among other things, established 80-acre drilling and spacing units for the production of oil and/or gas from the Codell and Niobrara Formations underlying certain lands, including Section 22, Township 2 North, Range 68 West, 6th P.M., with the permitted well locations in accordance with the provisions of Order No. 407-1.
6. On April 27, 1998, the Commission adopted Rule 318A, which, among other things, allowed certain drilling locations to be utilized to drill or twin a well, deepen a well or recomplete a well and to commingle any or all of the Cretaceous Age Formation from the base of the Dakota Formation to the surface. On December 5, 2005, Rule 318A was amended to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. The lands encompassing the Wellbore Spacing Unit, as defined below, are subject to this Rule, specifically Rule 318A.a.(4)(C) and 318A.e.(2), for the Codell, Niobrara, and J-Sand Formations.
7. Applicant previously designated a 160-acre wellbore spacing unit, as described below, for the production of oil and associated hydrocarbons from the Codell, Niobrara, and J-Sand Formations pursuant to Rule 318A.e.(2) and notified the appropriate parties under Rule 318A.e.(6). Applicant did not receive any objections to the well location, the proposed wellbore spacing unit, or the proposed formations within the 20-day response period. Applicant holds an approved Application for Permit to Drill for the well within the Wellbore Spacing Unit and holds a 50% working interest in the Wellbore Spacing Unit.

8. Applicant, pursuant to Commission Rule 530 and pursuant to the provisions of C.R.S. §34-60-116(6) and (7), seeks an order to involuntarily pool all interests not voluntarily pooled in the Codell, Niobrara, and J-Sand Formations underlying the following described 160-acre wellbore spacing unit:

Township 2 North, Range 68 West, 6th P.M.

Section 22: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 23: SW $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$

(referred to herein as the "Wellbore Spacing Unit")

9. Applicant has directionally drilled the Haley 8-4-22 Well (hereinafter the "Wellbore Spacing Unit Well") within the designated Wellbore Spacing Unit with a proposed surface location of 1617' FNL and 1249' FEL of Section 22 and a proposed bottomhole location 2504' FNL and 50' FEL (SE $\frac{1}{4}$ NE $\frac{1}{4}$) of Section 22. A well location certificate is attached for reference.

10. Exhibit A attached hereto lists working interest and royalty owners for the Wellbore Spacing Unit together with their addresses. All working interest owners (not otherwise voluntarily pooled) have been offered the opportunity to voluntarily participate in the drilling of the Wellbore Spacing Unit Well. To date, however, not all of such working interest owners have elected to participate by agreeing to bear their respective proportionate shares of the costs and risks of drilling, completing and operating the well. AFE's containing the information respecting this well required by Commission Rule 530.b. were sent to these working interest owners more than thirty (30) days prior to the date of the hearing on this application.

11. Applicant requests that the Commission's involuntary pooling order issued with respect to this Application be made retroactive to the date of the spudding of the Wellbore Spacing Unit Well.

12. Notice of this Application has been provided to those parties listed on Exhibit A attached hereto.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing this Commission enter its order:

A. Pooling involuntarily all of the working interest owners listed on Exhibit A with whom Applicant has been unable to secure an agreement for the drilling of the Wellbore Spacing Unit Well as described in Section 9 and that such working interest owners be treated as non-consenting owners under C.R.S. §34-60-116 and made subject to the terms and penalties provided for therein.

B. That all interest owners in the Wellbore Spacing Unit which are not voluntarily pooled in the Wellbore Spacing Unit be involuntarily pooled.

C. That the effective date of the COGCC's involuntary pooling order will be made retroactive to the date of spudding of the Wellbore Spacing Unit Well.

D. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this ____ day of May, 2010.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: _____

Michael J. Wozniak
Jamie L. Jost
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 AND COUNTY OF DENVER)

Francois Goyer, Group Lead Land – DJ Basin & West Texas of lawful age, being first duly sworn upon oath, deposes and says that he is Agent and Attorney-in-Fact for Encana Oil & Gas Inc. and that he has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

Francois Goyer, Group Lead Land-DJ Basin & West Texas
Agent and Attorney-in-Fact
Encana Oil & Gas (USA), Inc.

Subscribed and sworn to before this ____ day of May, 2010.

Witness my hand and official seal.

[SEAL]

My commission expires: _____

Notary Public

EXHIBIT A
Interested Parties

Working Interest Owners

Kerr-McGee Oil & Gas Onshore, Inc.
1099 18th Street, 6th Floor
Denver, CO 80202

MRPC II, LLC
2901 28th Street, Suite 205
Santa Monica, CA 90405

Royalty Owners

Nelson Interests, LP
5668 East County Road, 20E
Loveland, CO 80537

Charles W. Haley
1139 Wyndemere Circle
Longmont, CO 80501

John R. Haley
14491 Weld County Road 5
Longmont, CO 80501

Linda L. Haley
24331 Lake Shore Lane
Lake Forest, CA 92630

Norbert Edward
Helen Earline TIC
4101 Meadows Ave.
Evans, CO 80620

Colorado Department of Transportation
1420 2nd Street
Greeley, CO 80631

Charles G. Dalpra
2738 22nd Street Rd
Greeley, CO 80631

Virginia R. Haggerty
P.O. Box 9205
College Station, TX 77842

Carolyn M. Jarnagin
3002 Patrick Dr.
Corinth, MS 38834

Diana M. Jordan
15081 Pensacola Pl.
Denver, CO 80239

Frances K. Switzer
62760 Jacob Road
Montrose, CO 81401

Wilma K. White
2032 Meadowvale Rd
Longmont, CO 80504

Weld County
918 10th Street
Greeley, CO 80631

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AFFIDAVIT OF MAILING

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

Jamie L. Jost of lawful age, and being first duly sworn upon her oath, states and declares:

That she is the attorney for Encana Oil & Gas (USA) Inc., that on or before May ____, 2010, she caused a copy of the attached Application to be deposited in the United States Mail, postage prepaid, addressed to the parties listed on Exhibit A to the Application.

Jamie L. Jost

Subscribed and sworn to before me May __, 2010.

Witness my hand and official seal.

My commission expires: _____.

Notary Public