

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 AND SETBACK RULES FOR THE  
DRILLING OF WILLIAMS FORK AND ILES FORMATION  
WELLS OF THE MESAVERDE GROUP FOR CERTAIN  
DESCRIBED LANDS IN PARACHUTE FIELD AREA,  
GARFIELD COUNTY, COLORADO

CAUSE NO. 139 & 440

DOCKET NO. \_\_\_\_\_

**APPLICATION**

Encana Oil & Gas (USA) Inc. (“Applicant”), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Colorado Oil and Gas Conservation Commission (“Commission”) for an order establishing well location and setback 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 Field area in Garfield County 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 a leasehold interest in all or a substantial portion of following described lands (hereinafter “Application Lands”):

Township 7 South, Range 95 West, 6<sup>th</sup> P.M.

Section 11: E $\frac{1}{2}$ , SW $\frac{1}{4}$

Section 15: All, except NE $\frac{1}{4}$ SW $\frac{1}{4}$

Section 22: N $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ , N $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$

Section 27: All

Section 28: All

Section 29: All

Section 30: All

Section 31: All

Section 32: N $\frac{1}{2}$ N $\frac{1}{2}$

Township 7 South, Range 96 West, 6<sup>th</sup> P.M.

Section 25: All

Section 36: All

A reference map is attached hereto.

3. With respect to Section 11: E $\frac{1}{2}$ , SW $\frac{1}{4}$ , Township 7 South, Range 95 West, the following Commission Orders apply:

(i) Commission Order No. 440-12 established drilling and spacing units for the Mesaverde Formation for Section 11 as follows:

- (a) Three hundred twenty (320) acre drilling and spacing units for the Mesaverde Formation for the production of gas and associated hydrocarbons which shall consist of the E $\frac{1}{2}$  or W $\frac{1}{2}$  or N $\frac{1}{2}$  or S $\frac{1}{2}$  of a section, with the operator of the first well permitted in the section to designate the drilling unit with the permitted well to be located on the established unit no closer than six hundred (600) feet from the boundaries of said unit and no closer than one thousand two hundred (1,200) feet from any well producing from the same formation and that an additional well may be drilled for production from the Mesaverde Formation for each governmental section at the option of the operator of the unit or units contained within the individual section.

(ii) Commission Order No. 440-14 established three hundred and twenty (320) acre drilling and spacing units for Section 11, among other lands, and allowed four (4) wells to be optionally drilled into and produced from the Williams Fork Formation of the Mesaverde Group, with the permitted well to be located no closer than six hundred (600) feet from the lease line nor one thousand two hundred (1,200) feet from any other producible or drilling oil and gas well in the Williams Fork Formation.

(iii) Commission Order No. 440-16 modified Order No. 440-14 with respect to Section 11, among other lands, and established three hundred and twenty (320) acre drilling and spacing units for Section 11 allowing eight (8) wells to be optionally drilled into and produced from the Williams Fork Formation of the Mesaverde Group, with the permitted well to be located no closer than four hundred (400) feet from the boundaries of the unit and no closer than eight hundred (800) feet from any existing Williams Fork Formation well.

(iv) Commission Order Nos. 139-71 and 440-41 established a three hundred and twenty (320) acre drilling and spacing unit on the E½ of Section 11 for production from the Iles formation, consistent with the unit established for the Williams Fork Formation, allowing the equivalent of one (1) well per twenty (20) acres. Order No. 440-41 further vacated Order Nos. 139-28 and 440-16 for three hundred and twenty (320) acre drilling and spacing units on the W½ of Section 11 for the Williams Fork Formation and established two (2) one hundred and sixty (160) acre drilling and spacing units consisting of the NW¼ and SW¼ of Section 11 for production from the Williams Fork and Iles Formations, allowing the equivalent of one (1) well per twenty (20) acres. The permitted wells were to be optionally drilled into and produced from the Williams Fork and Iles Formations, the equivalent of one (1) Williams Fork and Iles well per twenty (20) acres, or sixteen (16) wells for each three hundred and twenty (320) acre drilling and spacing unit or eight (8) wells in each one hundred and sixty (160) acre drilling and spacing unit, with each well located no closer than two hundred (200) feet from the boundaries of the unit and no closer than four hundred (400) feet from any existing Williams Fork and Iles Formation well without exception being granted by the Director of the Commission.

4. With respect to Section 15, Township 7 South, Range 95 West, Commission Order No. 440-42 vacated Order Nos. 139-31 and 440-18 with respect to the aforementioned Application Lands and established eight (8) forty (40) acre drilling and spacing units on the W½ of Section 15 for the production of gas and associated hydrocarbons from the Williams Fork Formation allowing the option of up to two (2) wells per unit, and the permitted well was to be no closer than two hundred (200) feet from the unit boundary and no closer than four hundred (400) feet from any existing Williams Fork Formation well without exception being granted by the Director of the Commission. Commission Order No. 440-50 established a three hundred twenty (320) acre drilling and spacing unit for the E½ of Section 15 for the production of gas and associated hydrocarbons from the Iles Formation, with the equivalent of one (1) well per twenty (20) acres for the Williams Fork and Iles Formations with the permitted well to be located two hundred (200) feet from the boundaries of the drilling and spacing unit and four hundred (400) feet from any existing Williams Fork or Iles Formation well, absent an exception from the Commission.

5. With respect to Section 22, Township 7 South, Range 95 West, Commission Order No. 139-79 vacated Order No. 139-16 and established forty (40) acre drilling and spacing units for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations, with the equivalent of one (1) well per twenty (20) acres and the permitted well to be located two hundred (200) feet from the boundaries of the drilling and spacing unit and four hundred (400) feet from any existing Williams Fork and Iles Formation well, absent an exception from the Commission.

6. With respect to Section 27, Township 7 South, Range 95 West of the Application Lands, Commission Order No. 139-2 established six hundred forty (640) acre drilling and spacing units for the production of gas from the aforementioned Application Lands in the Mesaverde and Wasatch Formations. Commission Order No. 139-16 confirmed the aforementioned Application Lands inclusion in the Rulison Field. Commission Order No. 139-31 amended Cause Nos. 139 and 440 to allow the optional drilling of additional wells, up to sixteen (16) wells per six hundred and forty (640) acre drilling and spacing unit and up to eight (8) wells per three hundred twenty (320) acre drilling and spacing unit for the aforementioned Application Lands for the production of gas and associated hydrocarbons from the Williams Fork formation of the Mesaverde Group, with the permitted well to be located no closer than four hundred (400) feet from the outer boundaries of the drilling unit and no closer than eight hundred (800) feet to any well or wells producing from the same formation. Order No. 139-53 allowed the number of wells which

can be drilled into and produced from the Williams Fork Formation to be the equivalent of one (1) Williams Fork Formation well per ten (10) acres for Lot 1, S½NE¼NW¼, SE¼NW¼, SW¼NE¼, N½NE¼SW¼, NW¼SE¼, E½E½ of Section 27, Township 7 South, Range 85 West of the Application Lands.

7. With respect to for Sections 28 and 29, Township 7 South, Range 95 West of the Application Lands, Commission Order No. 139-48 amended Commission Order No. 139-31 to increase the number of wells which can be optionally drilled into and produced from the Williams Fork and Iles Formations to be the equivalent of one (1) Williams Fork and Iles Formation well per twenty (20) acres, or thirty-two (32) wells for each six hundred and forty (640) acre drilling and spacing unit, with each well located no closer than two hundred (200) feet from the boundaries of the unit and no closer than four hundred (400) feet from any existing Williams Fork and Iles Formation well without exception being granted by the Director of the Commission.

8. With respect to Sections 25 and 36, Township 7 South, Range 96 West and Sections 30 and 31, Township 7 South, Range 95 West of the Application Lands, Commission Order Nos. 139-44 and 139-46 amended Commission Order No. 139-31 and 139-3, respectively, to allow the number of wells to be optionally drilled into and produced from the Williams Fork and Iles formations to be the equivalent of one (1) Williams Fork and Iles Formation well per twenty (20) acres, with each well located downhole of the established drilling and spacing unit, no closer than two hundred (200) feet from the boundaries of the unit and no closer than four hundred (400) feet from any existing Williams Fork or Iles Formation well without exception being granted by the Director of the Commission.

9. With respect to Section 32: N½N½, Township 7 South, Range 95 West of the Application Lands, Commission Order No. 139-55 established a one hundred and sixty (160) acre drilling and spacing unit for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations, allowing the option of up to eight (8) wells, with the permitted well being located no closer than two hundred (200) feet from the unit boundary, and no closer than four hundred (400) feet from any existing Williams Fork or Iles Formation well without exception being granted by the Director of the Commission.

10. Applicant asserts that multiple wells have been drilled upon the Application Lands or upon lands in close proximity to the Application Lands with the result that geological and engineering evidence indicates that Williams Fork and Iles Formation wells in the Mesaverde Group on the Application Lands now should be allowed to be drilled on a ten (10) acre density basis.

11. Applicant requests that this Commission, as to the above described drilling and spacing units constituting the Application Lands, modify or amend the respective Commission Orders and allow Williams Fork and Iles Formation wells in the Mesaverde Group to be optionally drilled upon a ten (10) acre density basis with each such well to be located downhole anywhere within the unit provided no such wells shall be located downhole any closer than one hundred (100) feet from the boundary of the unit unless such boundary abuts or corners lands in respect of which the Commission has not at the time of the drilling permit application granted the right to drill ten (10) acre density Williams Fork and Iles wells, in which event Williams Fork and Iles Formation wells to be drilled upon the given drilling and spacing unit shall be drilled downhole no closer than two hundred (200) feet from that portion of the unit boundary which so abuts or corners the lands in respect of which ten (10) acre density downhole drilling for Williams Fork and Iles Formation wells has not been ordered by the Commission.

12. Applicant requests that this Commission, except as previously authorized by order of the Commission, allow wells drilled under this Application to be drilled from the surface either vertically or directionally from no more than one (1) pad located on a given quarter quarter section (or lots or parcels approximately equivalent thereto) unless exception is granted by the Colorado Oil and Gas Conservation Commission pursuant to application made for such exception.

13. The above-proposed spacing and well location rules will allow development of the Williams Fork and Iles formations to occur, will not promote waste, will not violate correlative rights, and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoir.

14. 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 at the next regular hearing date; that notice be given as required by law and that upon such hearing this Commission enter its order:

A. Allowing Williams Fork and Iles Formation wells in the Mesaverde Group on the Application Lands to be optionally drilled upon a ten (10) acre density basis with each such well to be located downhole anywhere within the unit provided no such wells shall be located downhole any closer than one hundred (100) feet from the boundary of the unit unless such boundary abuts or corners lands in respect of which the Commission has not at the time of the drilling permit application granted the right to drill ten (10) acre density Williams Fork and Iles wells, in which event Williams Fork and Iles Formation wells to be drilled upon the given drilling and spacing unit shall be drilled downhole no closer than two hundred (200) feet from that portion of the unit boundary which so abuts or corners the lands in respect of which ten (10) acre density downhole drilling for Williams Fork and Iles Formation wells has not been ordered by the Commission;

B. Allow Williams Fork and Iles Formation wells in the Mesaverde Group on the Application Lands to be drilled from the surface either vertically or directionally from no more than one (1) pad located on a given quarter quarter section (or lots or parcels approximately equivalent thereto) unless exception is granted by the Colorado Oil and Gas Conservation Commission pursuant to application made for such exception; and

C. Granting any other relief necessary to prevent waste and protect correlative rights of the owners.

Dated this 12th day of April, 2010.

Respectfully submitted,

ENCANA OIL & GAS (USA) INC.

By: \_\_\_\_\_  
Michael J. Wozniak  
Jamie L. Jost  
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 17<sup>th</sup> Street, Suite 1700  
Denver, Colorado 80202

VERIFICATION

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

P.M. DiGrappa, 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 her knowledge, information, and belief.

\_\_\_\_\_

Subscribed and sworn to before this \_\_\_\_\_ day of April, 2010.

Witness my hand and official seal.

My commission expires:

\_\_\_\_\_  
Notary Public

[SEAL]

**EXHIBIT A  
INTERESTED PARTIES**

United States Department of Interior  
Bureau of Land Management  
2850 Youngfield Street  
Lakewood, CO 80215

Judith H. Jordan  
Garfield County  
0375 County Road 352, Bldg 2060  
Rifle, CO 81650

Kim Kaal  
Colorado Division of Wildlife  
6060 Broadway  
Denver, CO 80216

Kent Kuster  
Colorado Department of  
Public Health & Environment  
4300 Cherry Creek Drive South  
Denver, CO 80246-1530

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

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

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

Antero Resources Piceance Corporation  
1625 17<sup>th</sup> Street, 300  
Denver, CO 80202

Noble Energy Inc.  
1625 Broadway, Suite 2000  
Denver, CO 80202

John W. Savage  
P.O. Box 1926  
Rifle, CO 81650-1926

Larry A. Klebold  
1691 County Road 300  
Parachute, CO 81635

Karen K. Klebold  
1691 County Road 300  
Parachute, CO 81635

Chevron Midcontinent LP  
11111 S Wilcrest  
Houston, TX 77099

ERC Industries Inc.  
1675 Larimer St, Suite 500  
Denver, CO 80202

Sandridge Energy Inc.  
1601 NW Expwy, Ste1600  
Oklahoma City, OK 73118

Merrion O&G Corp  
610 Reilly Ave  
Farmington, NM 87401

Delta Petroleum  
370 17<sup>th</sup> Street, Suite 4300  
Denver, CO 80202

United States Department of the Interior  
Colorado River Valley Field Office  
2300 River Frontage Road  
Silt, CO 81652

Chevron Midcontinent LP, Inc.  
500 West Illinois Avenue, #100  
Midland, TX 79701-4234

ERC Industries, Inc.  
1441 Park Ten Boulevard  
Houston, TX 77084

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OF THE STATE OF COLORADO

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OIL & GAS (USA) INC. FOR AN ORDER ESTABLISHING  
WELL LOCATION AND SETBACK RULES FOR THE  
DRILLING OF WILLIAMS FORK AND ILES FORMATION  
WELLS OF THE MESAVERDE GROUP FOR CERTAIN  
DESCRIBED LANDS IN PARACHUTE FIELD AREA,  
GARFIELD COUNTY, COLORADO

CAUSE NO. 139 & 440

DOCKET NO. \_\_\_\_\_

## 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 April 19, 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 April 12, 2010.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_.

**Notary Public**