

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

IN THE MATTER OF THE APPLICATION OF AXIA
ENERGY, LLC FOR AN ORDER ESTABLISHING A 640-
ACRE DRILLING AND SPACING UNIT AND 10-ACRE
DENSITY FOR THE DRILLING OF WILLIAMS FORK AND
ILES FORMATION WELLS OF THE MESAVERDE
GROUP FOR CERTAIN DESCRIBED LANDS MESA
COUNTY, COLORADO

CAUSE NO. _____

DOCKET NO. _____

APPLICATION

Axia Energy, LLC (“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 Mesa 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 9 South, Range 95 West, 6th P.M.
Section 14: ALL

Mesa County, Colorado, 640 acres, more or less.

A reference map for this application (“Application #2”) is attached hereto as Exhibit B.

3. The Application Lands are unspaced and are subject to Rule 318.a. which provides for a well to be drilled two thousand five hundred (2,500) feet or greater shall be located not less than six hundred (600) feet from any lease line, and shall be located not less than one thousand two hundred (1,200) feet from any other producible or drilling oil or gas well when drilling to the same common source of supply, unless authorized by order of the Commission upon hearing.

4. To promote efficient drainage within the Williams Fork and Iles Formations of the Application Lands, to protect correlative rights and to avoid waste, the Commission should establish a drilling and spacing unit of approximately 640 acres each as more particularly described in Exhibit B attached hereto and incorporated herein by reference.

5. That the 640-acre proposed drilling and spacing unit will allow efficient drainage of the Williams Fork and Iles Formations; will prevent waste; will not adversely affect correlative rights and will assure the greatest ultimate recovery of gas and associated hydrocarbon substances from the reservoirs. A drilling and spacing unit of the size and shape specified above is not smaller than the maximum area that can be economically and efficiently drained by the proposed wells in such drilling and spacing unit.

6. Applicant asserts that multiple wells have been drilled 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. With respect to the Iles Formation, Applicant further asserts that the Commission should allow ten (10) acre density for the Iles Formation because the option to complete a well to the Iles Formation is economic and efficient when completed within a Williams Fork wellbore. Applicant asserts that the Iles Formation would not be exploited or developed without this option.

7. Applicant requests that this Commission, as to the above described Application Lands, 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.

8. Applicant requests that this 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.

9. 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.

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 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. Establishing a 640-acre drilling and spacing units for the Application Lands;

B. 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;

C. 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

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

Dated this 1st day of September, 2010.

Respectfully submitted,

AXIA ENERGY, LLC

By: _____

Jamie L. Jost
Michael J. Wozniak
Beatty & Wozniak, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202
(303) 407-4499

Applicant's Address:
1430 Larimer Street, Suite 400
Denver, Colorado 80202

VERIFICATION

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

Adam C. Sayers, Executive Vice-President, of Axia Energy, LLC, upon oath deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information, and belief.

Adam C. Sayers
Executive Vice-President

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

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]

**EXHIBIT A
INTERESTED PARTIES**

1. BUREAU OF LAND MANAGEMENT
2815 H Road
Grand Junction, CO 81506
2. AXIA ENERGY, LLC
1430 Larimer Street
Suite 400
Denver, CO 80202
3. ENCANA NATURAL GAS
370-17TH Street
Denver, CO 80202
4. MARC S. & CHRISTI A. LAIRD
18166 Kimball Creek Road
Collbran, CO 81624-9641
5. JOE DENNIS & KERRY L. KENDRICK
1947 Gunnison Avenue
Grand Junction, CO 81501-3225
6. PAMELA K. SMITH
605 N. Market Street
Frederick, Maryland 21701
7. KENTREK, INC. A COLORADO CORPORATION
H. Joe Kendrick, Jr.
2401 Pheasant Run Circle
Grand Junction, CO 81506-6045
8. COY & ELISE JEAN WATKINS
18251 Kimball Creek Road
Collbran, CO 81624-9641
9. DAVID L. & BETTY BRANT
18338 Kimball Creek Road
Collbran, CO 81624-9641
10. KENNETH A. & CATHERINE STEADMAN
18842 Kimball Creek Road
Collbran, CO 81624-9641
11. LOUIS G. & SHUDONIA A. ROLLENHAGEN
19043 Kimball Creek Road
Collbran, CO 81624-9641
12. GARY C. & DIANNE K. BAYLESS
824 W. Reeves Street
Ridgecrest, CA 93555
13. JAMES A. MATAROZZO
19217 Kimball Creek Road
Collbran, CO 81624
14. JACK HARBIN LIVING TRUST, DATED 06-11-97
Jack Harbin Trustee
19363 Kimball Creek Road
Collbran, CO 81624

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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 Axia Energy, LLC, that on or before September __, 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 September __, 2010.

Witness my hand and official seal.

My commission expires: _____.

Notary Public