

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 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 the Buzzard Field 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 8 South, Range 95 West, 6th P.M.
Section 36: SW¼ (unspaced)

Township 9 South, Range 95 West, 6th P.M.
Section 13: W½ (spaced 160s)

Mesa County, Colorado.

A reference map for this application (“Application #5”) is attached hereto as Exhibit B.

3. Section 36, Township 8 South, Range 95 West and Section 12, Township 9 South, Range 95 West, 6th P.M. of 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. Section 13, Township 9 South, Range 95 West, 6th P.M. is subject to Order No. 371-1 which established 160-acre drilling and spacing units for the production of gas and associated hydrocarbons from the Mesaverde Formation underlying the Application Lands and further ordered that the permitted well shall be located no closer than 660 feet from the boundaries of the unit, and the wells drilled and completed in the Mesaverde Formation shall be the permitted wells for the units upon which they are located.

5. 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.

6. 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.

7. 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.

8. Applicant confirms that it is not requesting any change to the existing 160-acre established spacing unit on the Application Lands, nor it is requesting spacing for the unspaced areas of the Application Lands.

9. The above-proposed 10-acre density 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. 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;

C. Confirming that there will be no change to the existing 160-acre established spacing unit on the Application Lands and there will be no spacing on the unspaced areas of the Application Lands; 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. KENNETH A. & CATHERINE STEADMAN
18842 Kimball Creek Road
Collbran, CO 81624-9641
5. DAVID L. & BETTY BRANT
18338 Kimball Creek Road
Collbran, CO 81624-9641
6. JOE DENNIS & KERRY L. KENDRICK
1947 Gunnison Avenue
Grand Junction, CO 81501-3225
7. PAMELA K. SMITH
605 N. Market Street
Frederick, Maryland 21701
9. KENTREK, INC. A COLORADO CORPORATION
H. Joe Kendrick, Jr.
2401 Pheasant Run Circle
Grand Junction, CO 81506-6045
10. COY & ELISE JEAN WATKINS
18251 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
15. MAGNOLIA MINERAL TRUST, LLC
2273 S. Fillmore Street
Denver, CO 80210

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 WELL
LOCATION AND SETBACK RULES 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. _____

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