

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

IN THE MATTER OF THE APPLICATION OF)
KERR-MCGEE OIL & GAS ONSHORE LP FOR)
AN ORDER ALLOWING A VARIANCE FROM)
RULE 318A.f. FOR EACH THE NW¼ AND)
SW¼ OF SECTION 25, TOWNSHIP 3 NORTH,)
RANGE 66 WEST, 6TH P.M., IN THE)
WATTENBERG FIELD, WELD COUNTY,)
COLORADO

Cause No. 407

Docket No. _____

APPLICATION

COMES NOW Kerr-McGee Oil & Gas Onshore LP (“Applicant”), by and through its undersigned attorneys, and makes application to the Oil and Gas Conservation Commission of the State of Colorado (“Commission”) seeking an order approving variances from Commission Rule 318A.f. that establishes a limit of eight (8) producing completions for the Codell and Niobrara Formations as applied to the NW¼ and SW¼ of Section 25, Township 3 North, Range 66 West, 6th P.M., Weld County, Colorado (“Application Lands”).

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado.
2. Applicant owns all or a substantial portion of the leasehold interests on the Application Lands.
3. 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 the Application Lands, with the permitted well locations in accordance with the provisions of Order No. 407-1. Order No. 407-1 (amended on March 29, 2000 in accordance with Order No. 407-17, entered November 18, 1985), 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 the Application Lands, 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.
4. On April 27, 1998, the Commission adopted Rule 318A, which, among other things, established drilling windows and 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. The Application Lands are subject to the foregoing Order and Rule 318A. Pursuant to Rule 318A.j., Rule 318A supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of GWA wells.
5. Commission Rule 318A.f. provides that Rule 318A does not limit the number of wells that may be located within the Greater Wattenberg Area windows but, absent a Commission order

otherwise, there shall be no more than eight (8) producing completions in the J-Sand, Codell or Niobrara Formations in any 160-acre governmental quarter section.

Variance Request for NW¼ of Section 25, Township 3 North, Range 66 West:

6. There are currently eight (8) existing producing wells in the Niobrara Formation in the NW¼ of the Application Lands. Applicant proposes to horizontally drill four (4) additional wells to the Niobrara Formation for a total of twelve (12) wells (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation in the NW¼ of Section 25, Township 3 North, Range 66 West.

7. The well orientation and proposed bottomhole locations of Camp 4N-25HZ Well, Camp 29N-25HZ Well, Camp 3N-25HZ Well and Camp 28N-25HZ Well (“Camp Wells”) will result in the NW¼ of Section 25, Township 3 North, Range 66 West containing twelve (12) total wells in the Niobrara Formation.

8. The surface locations for the Camp Wells are not located within an established drilling window pursuant to Commission Rule 318A.a. Applicant is in negotiations to obtain a Surface Use Agreement, or alternatively the consent of the surface owner, to locate the wells on the proposed surface location. The wells will be drilled on a multi-well pad and shall be drilled concurrently therefore having minimal additional impact to the surface.

9. Applicant requests that this Commission approve a variance from the eight (8) well limit in Commission Rule 318A.f. and allow a total of twelve (12) wells to be drilled and completed to the Niobrara Formation for the NW¼ of Section 25, Township 3 North, Range 66 West.

10. Applicant asserts that this request to exceed the eight (8) well limit in the NW¼ of Section 25, Township 3 North, Range 66 West is made in order to prevent waste and to maximize the efficient and economic production of the Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

Variance Request for SW¼ of Section 25, Township 3 North, Range 66 West:

11. There are currently seven (7) existing producing wells in the Niobrara Formation in the SW¼ of the Application Lands. Applicant proposes to horizontally drill four (4) additional wells to the Niobrara Formation for a total of eleven (11) wells (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation in the SW¼ of Section 25, Township 3 North, Range 66 West.

12. The well orientation and proposed bottomhole locations of Camp 4N-25HZ Well, Camp 29N-25HZ Well, Camp 3N-25HZ Well and Camp 28N-25HZ Well (“Camp Wells”) will result in the SW¼ of Section 25, Township 3 North, Range 66 West containing eleven (11) wells in the Niobrara Formation.

13. The surface locations for the Camp Wells are not located within an established drilling window pursuant to Commission Rule 318A.a. Applicant is in negotiations to obtain a Surface Use Agreement, or alternatively the consent of the surface owner, to locate the wells on the proposed surface location. The wells will be drilled on a multi-well pad and shall be drilled concurrently therefore having minimal additional impact to the surface.

14. Applicant requests that this Commission approve a variance from the eight (8) well limit in Commission Rule 318A.f. and allow a total of eleven (11) wells to be drilled and completed to the Niobrara Formation for the SW¼ of Section 25, Township 3 North, Range 66 West.

15. Applicant asserts that this request to exceed the eight (8) well limit in the SW¼ of Section 25, Township 3 North, Range 66 West is made in order to prevent waste and to maximize the efficient and economic production of the Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

16. Applicant has notified the parties listed on Exhibit A pursuant to Commission rules.

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 shall enter its order:

A. Approving a variance from the eight (8) well limit in Commission Rule 318A.f. and allowing a total of twelve (12) wells to be drilled and completed to the Niobrara Formation for the NW¼ of Section 25, Township 3 North, Range 66 West;

B. Approving a variance from the eight (8) well limit in Commission Rule 318A.f. and allow a total of eleven (11) wells to be drilled and completed to the Niobrara Formation for the SW¼ of Section 25, Township 3 North, Range 66 West;

C. Approving the surface locations for the Camp Wells as located outside an established drilling window pursuant to Commission Rule 318A.a and confirming that Applicant shall obtain a Surface Use Agreement, or alternatively, the consent of the surface owner, to locate the wells on the proposed surface locations. The wells will be drilled on a multi-well pad and shall be drilled concurrently therefore having minimal additional impact to the surface;

D. Finding that allowing a total of twelve (12) wells to be drilled and completed to the Niobrara Formation for the NW¼ of Section 25, Township 3 North, Range 66 West will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Niobrara Formation on the Application Lands; and

E. Finding that allowing a total of eleven (11) wells to be drilled and completed to the Niobrara Formation for the SW¼ of Section 25, Township 3 North, Range 66 West will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Niobrara Formation on the Application Lands;

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

Dated this ____ day of July, 2011.

Respectfully submitted,

KERR-MCGEE OIL & GAS ONSHORE LP

By: _____

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Elizabeth Y. Gallaway
Michael J. Wozniak
Beatty & Wozniak, P.C.
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Applicant's Address:

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Denver, CO 80217-3379

VERIFICATION

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

David Kulmann, of lawful age, being first duly sworn upon oath, deposes and says that he is Attorney-in-Fact for Kerr-McGee Oil & Gas Onshore LP 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.

David Kulmann, Regulatory Affairs Supervisor
Kerr-McGee Oil & Gas Onshore LP

Subscribed and sworn to before this ____ day of July, 2011.

Witness my hand and official seal.

[SEAL]

My commission expires: _____

Notary Public

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AFFIDAVIT OF MAILING

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

Elizabeth Y. Gallaway of lawful age, and being first duly sworn upon her oath, states and declares:

That she is the attorney for Kerr-McGee Oil & Gas Onshore LP, that on or before July ____, 2011, she attempted to cause 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, but there is no known address for such parties.

Elizabeth Y. Gallaway

Subscribed and sworn to before me on July __, 2011.

Witness my hand and official seal.

My commission expires: _____.

Notary Public

EXHIBIT A
INTERESTED PARTIES

Kerr-McGee Oil & Gas Onshore, L.P.
1099 18th St
Denver, CO 80202

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Denver, CO 80202

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