

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 OF THE NW¼,)
SW¼, NE¼, AND SE¼ OF SECTION 27,)
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, SW¼, NE¼, and SE¼ of Section 27, Township 3 North, Range 66 West, 6th P.M., Weld County, Colorado (“Application Lands”) as set forth herein.

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 27, Township 3 North, Range 66 West:

6. There are currently eight (8) existing producing wells in the Codell Formation in the NW¼ of the Application Lands and eight (8) existing producing wells in the Niobrara Formation in the NW¼ of the Application Lands.

- a. Applicant proposes to horizontally drill three (3) additional wells to the Codell Formation for a total of eleven (11) wells (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Codell Formation in the NW¼ of Section 27, Township 3 North, Range 66 West.
- b. Applicant also proposes to horizontally drill three (3) 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 NW¼ of Section 27, Township 3 North, Range 66 West.

7. The well orientation and proposed bottomhole locations of the Barclay 4N-27HZ Well, Barclay 4C-27HZ Well, Barclay 29N-27HZ Well, Barclay 29C-27HZ Well, Barclay 3N-27HZ Well, and Barclay 28C-27HZ Well (collectively the “NW¼ Barclay HZ Wells”) will result in the NW¼ of Section 27, Township 3 North, Range 66 West containing eleven (11) total wells in the Codell Formation and eleven (11) total wells in the Niobrara Formation.

8. The surface location for the NW¼ Barclay HZ 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 eleven (11) wells to be drilled and completed to the Codell Formation and allow a total of eleven (11) wells to be drilled and completed to the Niobrara Formation for the NW¼ of Section 27, Township 3 North, Range 66 West.

10. Applicant asserts that this request to exceed the eight (8) well limit in the NW¼ of Section 27, Township 3 North, Range 66 West is made in order to prevent waste and to maximize the efficient and economic production of Codell and Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

Variance Request for SW¼ of Section 27, Township 3 North, Range 66 West:

11. There are currently seven (7) existing producing wells in the Codell Formation in the SW¼ of the Application Lands and six (6) existing producing wells in the Niobrara Formation in the SW¼ of the Application Lands.

- a. Applicant proposes to horizontally drill three (3) additional wells to the Codell Formation for a total of ten (10) wells (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Codell Formation in the SW¼ of Section 27, Township 3 North, Range 66 West.

- b. Applicant also proposes to horizontally drill three (3) additional wells to the Niobrara Formation for a total of nine (9) (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation in the SW¼ of Section 27, Township 3 North, Range 66 West.

12. The well orientation and proposed bottomhole locations of the additional the Barclay 4N-27HZ Well, Barclay 4C-27HZ Well, Barclay 29N-27HZ Well, Barclay 29C-27HZ Well, Barclay 3N-27HZ Well, and Barclay 28C-27HZ Well (“SW¼ Barclay HZ Wells”) will result in the SW¼ of Section 27, Township 3 North, Range 66 West containing ten (10) wells to the Codell Formation and nine (9) wells to the Niobrara Formation.

13. The surface location for the SW¼ Barclay HZ 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 ten (10) wells to be drilled and completed to the Codell Formation and allow a total of nine (9) wells to be drilled and completed to the Niobrara Formation for the SW¼ of Section 27, Township 3 North, Range 66 West.

15. Applicant asserts that this request to exceed the eight (8) well limit in the SW¼ of Section 27, Township 3 North, Range 66 West is made in order to prevent waste and to maximize the efficient and economic production of Codell and Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

Variance Request for NE¼ of Section 27, Township 3 North, Range 66 West:

16. There are currently seven (7) existing producing wells in the Niobrara Formation in the NE¼ of the Application Lands.

- a. Applicant also proposes to horizontally drill four (4) additional wells to the Niobrara Formation for a total of eleven (11) (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation in the of Section 27, Township 3 North, Range 66 West.

17. The well orientation and proposed bottomhole locations of the additional the Barclay 28N-27HZ Well, Barclay 2N-27HZ Well, Barclay 27N-27HZ Well, and Barclay 1N-27HZ Well (“NE¼ Barclay HZ Wells”) will result in the NE¼ of Section 27, Township 3 North, Range 66 West containing eleven (11) wells to the Niobrara Formation.

18. The surface location for the NE¼ Barclay HZ 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.

19. 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 the Niobrara Formation for the NE¼ Section 27, Township 3 North, Range 66 West.

20. Applicant asserts that this request to exceed the eight (8) well limit in the NE¼ of Section 27, Township 3 North, Range 66 West is made in order to prevent waste and to maximize the efficient and economic production of Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

Variance Request for SE¼ of Section 27, Township 3 North, Range 66 West:

21. There are currently five (5) existing producing wells in the Niobrara Formation in the SE¼ of the Application Lands.

a. Applicant also proposes nine (9) (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation in the SE¼ of Section 27, Township 3 North, Range 66 West.

22. The well orientation and proposed bottomhole locations of the additional Barclay 28N-27HZ Well, Barclay 2N-27HZ Well, Barclay 27N-27HZ Well, and Barclay 1N-27HZ Well (“SE¼ Barclay HZ Wells”) will result in the SE¼ of Section 27, Township 3 North, Range 66 West containing nine (9) wells to the Niobrara Formation.

23. The surface location for the SE¼ Barclay HZ Wells is 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.

24. Applicant requests that this Commission approve a variance from the eight (8) well limit in Commission Rule 318A.f. and allow a total of nine (9) wells to be drilled and completed to the Niobrara Formation for the SE¼ of Section 27, Township 3 North, Range 66 West.

25. Applicant asserts that this request to exceed the eight (8) well limit in the SE¼ of Section 27, Township 3 North, Range 66 West is made in order to prevent waste and to maximize the efficient and economic production of Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

26. 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 eleven (11) wells to be drilled and completed to the Codell Formation and allowing a total of eleven (11) wells to be drilled and completed to the Niobrara Formation for NW¼ of Section 27, Township 3 North, Range 66 West.

B. Approving a variance from the eight (8) well limit in Commission Rule 318A.f. and allowing a total of ten (10) wells to be drilled and completed to the Codell Formation and allowing a

total of nine (9) wells to be drilled and completed to the Niobrara Formation for the SW¼ of Section 27, Township 3 North, Range 66 West.

C. Approving a variance from the eight (8) well limit in Commission Rule 318A.f. and allowing a total of eleven (11) wells to be drilled and completed to the the Niobrara Formation for the the NE¼ of Section 27, Township 3 North, Range 66 West.

D. Approving a variance from the eight (8) well limit in Commission Rule 318A.f. and allow a total of nine (9) wells to be drilled and completed to the Niobrara Formation for the SE¼ of Section 27, Township 3 North, Range 66 West.

E. Approving the surface location for the Barclay 4N-27HZ Well, Barclay 4C-27HZ Well, Barclay 29N-27HZ Well, Barclay 29C-27HZ Well, Barclay 3N-27HZ Well, Barclay 28C-27HZ Well, Barclay 28N-27HZ Well, Barclay 2N-27HZ Well, Barclay 27N-27HZ Well and Barclay 1N-27HZ Well and confirm that they are not located within an established drilling window pursuant to Commission Rule 318A.a. and 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.

F. Finding that:

i. allowing eleven (11) wells to be drilled and completed to the Codell Formation and allowing a total of eleven (11) wells to be drilled and completed to the Niobrara Formation for NW¼ of Section 27, Township 3 North, Range 66 West will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Codell and Niobrara Formations on the Application Lands;

ii. allowing a total of ten (10) wells to be drilled and completed to the Codell Formation and allowing a total of nine (9) wells to be drilled and completed to the Niobrara Formation for the SW¼ of Section 27, Township 3 North, Range 66 West will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Codell and Niobrara Formations on the Application Lands;

iii. allowing a total of eleven (11) wells to be drilled and completed to the the Niobrara Formation for the NE¼ of Section 27, 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

iv. allowing a total of nine (9) wells to be drilled and completed to the Niobrara Formation for the SE¼ of Section 27, 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;

G. 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: _____

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

Applicant's Address:

P.O. Box 173779
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

Anadarko E&P Company
1099 18th St
Denver, CO 80202

Celia Greenman
Colorado Division of Wildlife
6060 Broadway
Denver, CO 80216

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

David Bauer
Weld County Government
1111 H Street
Greeley, CO 80632