

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 ESTABLISHING ONE (1) 320-)
ACRE WELLBORE SPACING UNIT FOR ONE)
(1) HORIZONTAL WELL IN THE NIOBRARA)
FORMATION AND FOR AN ORDER)
ALLOWING A VARIANCE FROM RULE 318A.f.)
FOR THE NE¼ OF SECTION 12, TOWNSHIP)
4 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: (i) establishing one (1) 320-acre wellbore spacing unit for the drilling of one (1) horizontal well in the Niobrara Formation for production of oil, gas, and associated hydrocarbons from the Niobrara Formation underlying Section 12, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado (“Application Lands”), (ii) approving a variance from Commission Rule 318A.f. that establishes a limit of eight (8) producing completions for the J-Sand, Codell and Niobrara Formations as applied to the NE¼ of Section 12, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado (“Application Lands”), and (iii) allowing a total of nine (9) producing completions for the Niobrara Formation on the Application Lands. In support thereof, the Applicant states and alleges as follows:

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.

REQUEST FOR 320-ACRE WELLBORE SPACING UNIT

5. Applicant plans to drill one (1) horizontal well on the Application Lands. The proposed McCarthy Federal 1-12 HZ Well ("Well") has a proposed surface hole location in the NW¼ of Section 12, Township 4 North, Range 66 West and a proposed bottomhole location of 1058' FNL and 460' FEL of Section 12, Township 4 North, Range 66 West.

6. Applicant requests that the Commission establish a 320-acre wellbore spacing unit for the Well on the Application Lands. The proposed 320-acre wellbore spacing unit shall consist of the following lands:

Township 4 North, Range 66 West, 6th P.M.
Section 12: N½

Weld County, Colorado ("Wellbore Spacing Unit").

A Well Location Certificate is attached hereto.

7. Applicant confirms that it is not changing the established 80-acre drilling and spacing units for any existing vertical Niobrara Formation wells. Applicant further confirms that it is not changing the established distribution of proceeds for any existing vertical Niobrara Formation wells subject to Order No. 407-87. Applicant will allocate and distribute proceeds from the Well on a 320-acre basis.

8. Applicant asserts that a 320-acre Wellbore Spacing Unit for the Well will allow for economic and efficient drainage of the Niobrara Formation; 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 320-acre Wellbore Spacing Unit is not smaller than the maximum area that can be economically and efficiently drained by one (1) horizontal well in such unit.

9. The surface locations for the Well is within an established drilling window pursuant to Commission Rule 318A.a.

10. The treated interval of the wellbore for the Well shall be no closer than 460' from the boundaries of the 320-acre Wellbore Spacing Unit. The Applicant maintains that the one (1) horizontal well will have no adverse effect on correlative rights of adjacent owners.

REQUEST FOR VARIANCE, UNDER RULE 502.b., FROM RULE 318A.f.

11. 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.

12. There are currently eight (8) existing producing well on the Application Lands. Applicant proposes to horizontally drill one (1) well for a total of nine (9) wells (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Niobrara Formation on the Application Lands.

13. The well orientation and proposed bottomhole locations of the McCarthy Federal 1-12 HZ Well (the "Well") will result in the NE¼ of Section 12, Township 4 North, Range 66 West containing nine (9) total wells (i.e. producing completions). See attached Well Location Certificate.

14. The surface location for the Well is within an established drilling window pursuant to Commission Rule 318A.a.

15. 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 Application Lands.

16. Applicant asserts that this request to exceed the eight (8) well limit in the NE¼ of Section 12, Township 4 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.

17. 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. Establishing a 320-acre wellbore spacing unit for the Application Lands for the McCarthy Federal 1-12 HZ Well;

B. Approving the surface location for the McCarthy Federal 1-12 HZ Well as located within an established drilling window pursuant to Commission Rule 318A.a. and establishing that the treated interval of the wellbore, shall be no closer than 460' from the boundaries of the 320-acre exploratory wellbore spacing unit;

C. Approving a variance, under Commission Rule 502.b., from the eight (8) well limit established by Commission Rule 318A.f., and allowing a total of nine (9) wells (i.e. producing completions) to be drilled and completed to the Niobrara Formation for the NE¼ of Section 12, Township 4 North, Range 66 West;

D. Approving the surface location for the McCarthy Federal 1-12 HZ Well as located within an established drilling window pursuant to Commission Rule 318A.a.;

E. Finding that allowing a total of nine (9) wells in the NE¼ of Section 12, Township 4 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

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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Michael J. Wozniak
Beatty & Wozniak, P.C.
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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)

Jamie L. Jost 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.

Jamie L. Jost

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

Witness my hand and official seal.

My commission expires: _____.

Notary Public

EXHIBIT A
INTERESTED PARTIES

LESSEES:

Kerr-McGee Oil & Gas Onshore LP
1099 18th Street, Suite 1800
Denver, CO 80202

Celia Greenman
Colorado Division of Wildlife
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Denver, CO 80216

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