

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

IN THE MATTER OF THE APPLICATION OF ENCANA  
OIL & GAS (USA) INC. FOR AN ORDER ESTABLISHING  
AN APPROXIMATE 160-ACRE DRILLING AND SPACING  
UNITS FOR THE DRILLING OF CODELL, NIOBRARA,  
AND J-SAND FORMATION WELLS FOR CERTAIN  
DESCRIBED LANDS IN WELD COUNTY, COLORADO

CAUSE NO. \_\_\_\_\_

DOCKET NO. \_\_\_\_\_

**APPLICATION**

Encana Oil & Gas (USA) Inc. (“Applicant”), by and through the undersigned attorneys, respectfully submits this Application to the Colorado Oil and Gas Conservation Commission (“Commission”) for an order establishing a 160-acre drilling and spacing unit for the production of oil, gas and related hydrocarbons from the Codell, Niobrara, and J-Sand Formations covering certain described lands in Weld County. In support of this application, Applicant states and alleges as follows:

1. Applicant is a corporation duly authorized to conduct business in the State of Colorado.
2. Applicant owns a substantial portion of the leasehold interests in the following described lands (hereinafter “Application Lands”):

Township 5 North, Range 64 West, 6<sup>th</sup> P.M.  
Section 25: NE¼

Weld County, Colorado.

A reference map for this application is attached hereto.

3. With respect to the J-Sand Formation, the Application Lands are subject to Commission Rule 318.a. which provides that a well to be drilled in excess of two thousand five hundred (2,500) feet in depth 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 source of supply, unless authorized by order of the Commission upon hearing. There are no specific Commission Orders applicable to the J-Sand Formation underlying the Application Lands.
4. With respect to the Codell and Niobrara Formations, 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.
5. On April 27, 1998, the Commission adopted Rule 318A, which, among other things, 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. Rule 318A supersedes all prior Commission drilling and spacing orders affecting well location and density requirements of GWA wells pursuant to Rule 318A.j.
6. To promote efficient drainage within the Codell, Niobrara, and J-Sand Formations of the Application Lands, to protect correlative rights and to avoid waste, the Commission should establish a drilling and spacing unit of approximately 160 acres for the NE¼ of Section 25, Township 5 North, Range 64 West for the Codell, Niobrara, and J-Sand Formations (“160-acre Drilling and Spacing Unit”).

7. That the approximate 160-acre Drilling and Spacing Unit will allow efficient drainage of the Codell, Niobrara, and J-Sand 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. The 160-acre Drilling and Spacing Unit is not smaller than the maximum area that can be economically and efficiently drained by the proposed wells in each such drilling and spacing unit.

8. That Applicant has drilled, tested and completed wells in the Codell, Niobrara and J-Sand Formations upon lands in close proximity to the Application Lands. Applicant has eight (8) wells permitted for the Application Lands that are due to spud in March 2011, five (5) of which are within the established 318A drilling window ("Five-Spot wells" and three (3) of which are subject to COGCC Rule 318A.e. Applicant intends to drill the five (5) Five-Spot wells within the proposed 160-acre Drilling and Spacing Unit.

9. Applicant intends to commingle the production for the proposed wells from the 160-acre Drilling and Spacing Unit for the Codell, Niobrara, and J-Sand Formations and allocate such production according to sound engineering practices.

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, that notice be given as required by law and that upon such hearing this Commission enter its order consistent with Applicant's proposals as set forth above.

Dated this \_\_\_\_ day of December, 2010.

Respectfully submitted,

EnCana Oil and Gas (USA) Inc.

By: \_\_\_\_\_  
Jamie L. Jost  
Michael J. Wozniak  
Beatty & Wozniak, P.C.  
Attorneys for Applicant  
216 16<sup>th</sup> Street, Suite 1100  
Denver, Colorado 80202  
(303) 407-4499

Applicant's Address:  
370 17th Street, Suite 1700  
Denver, CO 80202

## VERIFICATION

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

Jack Croom, Land Negotiator, of EnCana Oil and Gas (USA) Inc., 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.

Jack Croom  
Land Negotiator

Subscribed and sworn to before this \_\_\_\_ day of December, 2010.

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]

**EXHIBIT A  
INTERESTED PARTIES**

Noble Energy, Inc.  
ATTN: Libby Ecord  
1625 Broadway, Suite 2000  
Denver, Colorado 80202

V.W. Conner Corporation  
ATTN: Margaret Stephenson  
1357 43<sup>rd</sup> Avenue, #27  
Greeley, Colorado 80634-2442

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

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

Bruce T. Barker  
Weld County  
P.O. Box 758  
Greeley, CO 80632

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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 EnCana Oil and Gas (USA) Inc., that on or before January 4<sup>th</sup>, 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 December \_\_, 2010.

Witness my hand and official seal.

My commission expires: \_\_\_\_\_.

**Notary Public**