

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 AN
APPROXIMATE 320-ACRE DRILLING AND SPACING
UNIT AND 10-ACRE DENSITY FOR THE DRILLING OF
WILLIAMS FORK AND ILES FORMATION WELLS OF
THE MESAVERDE GROUP FOR CERTAIN DESCRIBED
LANDS IN THE BUZZARD FIELD, MESA COUNTY,
COLORADO

CAUSE NO. 371

DOCKET NO. _____

VERIFIED APPLICATION

Axia Energy, LLC (“Applicant”), by and through its attorneys, Poulson, Odell & Peterson, LLC, respectfully submits this Application to the Colorado Oil and Gas Conservation Commission (“Commission”) for an order establishing an approximate 320-acre drilling and spacing unit and 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 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 9 South, Range 95 West, 6th P.M.
Section 12: S½

Mesa County, Colorado.

A reference map for this application is attached hereto as Exhibit B.

3. 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. To promote efficient drainage within the Williams Fork and Iles Formations of the Application Lands, to protect correlative rights and to avoid waste, the Commission should establish a “lay-down” drilling and spacing unit of approximately 320 acres as more particularly described in Exhibit B attached hereto and incorporated herein by reference.
5. That the approximate 320-acre proposed drilling and spacing unit will allow efficient drainage of the Williams Fork and Iles 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. Drilling and spacing units of the size and shape specified above are not smaller than the maximum area that can be economically and efficiently drained by the proposed wells in each such drilling and spacing unit.
6. 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.
7. 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.

8. 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.

9. The above-proposed spacing and well location rules 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. Establishing an approximate 320-acre drilling and spacing unit for the Application Lands;

B. 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;

C. 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; and

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

Dated this 23rd day of December, 2010.

Respectfully submitted,

AXIA ENERGY, LLC

By: _____

Scott M. Campbell, Esq., No. 24496

Jeremy I. Ferrin, Esq., No. 39053

Poulson, Odell & Peterson, LLC

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Applicant's Address:

1430 Larimer Street, Suite 400

Denver, Colorado 80202

**EXHIBIT A
INTERESTED PARTIES**

Colorado Division of Wildlife
Attn: Kim Kaal
6060 Broadway
Denver, CO 80216

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

Mesa County Planning & Eco. Development
Attn: Randy Price
750 Main Street
Grand Junction, CO 81501

Bureau of Land Management
12815 H Road
Grand Junction, CO 81506

Axia Energy, LLC
1430 Larimer Street
Suite 400
Denver, CO 80202

Encana Oil & Gas (USA) Inc.
Attn: Helen Capps
370 17TH Street, Suite 1700
Denver, CO 80202

David and Sandra Bowen
19264 Kimball Creek Road
Collbran, CO 81624-9641

Alice M. Larsen, A. Jean Larsen, and A. Joan Larsen
496 Arabian Way
Grand Junction, CO 81504-6224

Antero Resources Piceance Corp.
1625 17th Street – Third Floor
Denver, CO 80202

Laramie Energy II, LLC
1512 Larimer Street, Suite 1000
Denver, CO 80202

Poulson, Odell & Peterson, LLC
Attn: Jeremy I. Ferrin
1775 Sherman Street, Suite 1400
Denver, Colorado 80203

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 December, 2010.

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]

EXHIBIT B
REFERENCE MAP

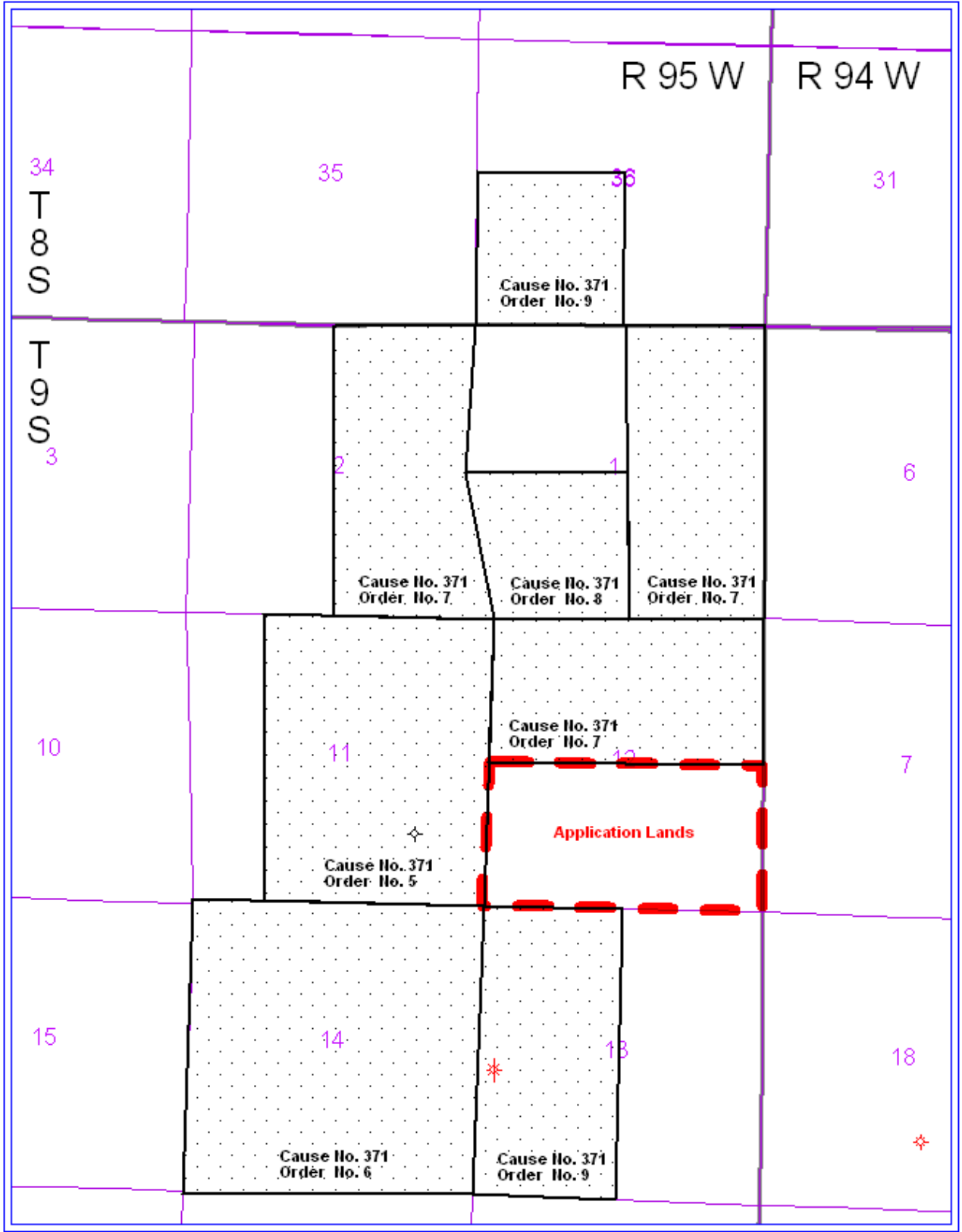


Exhibit B	Cause No. 371
Applicant: Axia Energy, LLC	Docket Nos. _____
	Type of Exhibit: Application Lands
	S1/2 Section 12-T9S-R95W
	Mesa County, Colorado