

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

IN THE MATTER OF THE APPLICATION OF ) ENCANA OIL & GAS (USA) INC. FOR AN ) ORDER ESTABLISHING ONE (1) 320-ACRE ) WELLBORE SPACING UNIT FOR ONE (1) ) HORIZONTAL WELL FOR THE CODELL ) FORMATION AND ONE (1) HORIZONTAL ) WELL FOR THE NIOBRARA FORMATION IN ) SECTION 33, TOWNSHIP 3 NORTH, RANGE ) 67 WEST, 6 <sup>TH</sup> P.M., IN THE WATTENBERG ) FIELD, WELD COUNTY, COLORADO )	Cause No. 407  Docket No. _____
--	---------------------------------------

APPLICATION

COMES NOW Encana Oil & Gas (USA) Inc. (referred to herein as “Applicant”), by and through its undersigned attorneys, and makes application to the Oil and Gas Conservation Commission of the State of Colorado (“Commission”), for an order establishing one (1) 320-acre wellbore spacing unit for the drilling of one (1) horizontal well for production of oil, gas, and associated hydrocarbons from the Codell Formation and one (1) horizontal well for production of oil, gas, and associated hydrocarbons from the Niobrara Formation underlying the N½ of Section 33, Township 3 North, Range 67 West, 6<sup>th</sup> P.M., Weld County, Colorado (“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. Although Order No. 407-87 provides for 80-acre drilling and spacing units for the Application Lands, the Commission has approved 160-acre drilling and spacing units, on a well by well basis, for the Application Lands. As such, the current spacing for the Application Lands is 160-acre drilling and spacing units.
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. Applicant plans to drill two (2) horizontal wells on the Application Lands. The Parker 2B-33H Well shall be drilled to the Codell Formation on the Application Lands. The Parker 2A-33H Well shall be drilled to the Niobrara Formation of the Application Lands.
6. Applicant requests that the Commission establish a 320-acre wellbore spacing for the Parker 2B-33H Well, for production from the Codell Formation, and the Parker 2A-33H Well, for production from the Niobrara Formation, on the Application Lands. The proposed 320-acre wellbore spacing unit shall consist of the N½ of Section 33, Township 3 North, Range 67 West, 6<sup>th</sup> P.M., Weld County, Colorado (“Wellbore Spacing Unit”). A reference map is attached hereto.

7. Applicant confirms that it is not changing the established 160-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. Applicant will allocate and distribute proceeds from the Parker 2B-33H Well on a 320-acre basis for the Codell Formation and will allocate and distribute proceeds from the Parker 2A-33H Well for the Niobrara Formation on a 320-acre basis.

8. Applicant asserts that a 320-acre Wellbore Spacing Unit for the two (2) horizontal wells 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 two (2) horizontal wells in such unit.

9. Applicant anticipates that the surface location will be in the NW $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 33, Township 3 North, Range 67 West but the surface location agreement has not been finalized with the surface owner. Applicant is currently in negotiations with the surface use owner and, should the surface location change, Applicant will amend its application accordingly.

10. The initial perforation of the Codell Formation, and the ultimate bottomhole location for each well, shall be no closer than 460' from the boundaries of the 320-acre wellbore spacing unit. The initial perforation of the Niobrara Formation, and the ultimate bottomhole location for each well, shall be no closer than 460' from the boundaries of the 320-acre wellbore spacing unit. The Applicant maintains that the two (2) horizontal wells will have no adverse effect on correlative rights of adjacent owners.

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 the 320-acre Wellbore Spacing Unit for the Parker 2B-33H Well, for production from the Codell Formation, and the Parker 2A-33H Well, for production from the Niobrara Formation;

B. Establishing that the initial perforation of the Codell Formation, and the ultimate bottomhole location for each well, shall be no closer than 460' from the boundaries of the 640-acre wellbore spacing unit;

C. Establishing that the initial perforation of the Niobrara Formation, and the ultimate bottomhole location for each well, shall be no closer than 460' from the boundaries of the 640-acre wellbore spacing unit;

D. Finding that the 320-acre Wellbore Spacing Unit will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Codell Formation and the Niobrara Formation on the Application Lands; and

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

Dated this 2<sup>nd</sup> day of February, 2011.

Respectfully submitted,

**Encana Oil & Gas (USA), Inc.**

By: \_\_\_\_\_  
Jamie L. Jost  
Elizabeth Y. Gallaway  
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 St # 1700  
Denver, CO 80202

VERIFICATION

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

Ricardo D. Gallegos, of lawful age, being first duly sworn upon oath, deposes and says that he is Attorney-in-Fact for Encana Oil & Gas (USA) Inc. 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.

\_\_\_\_\_  
Title: Ricardo D. Gallegos, as Attorney-in-Fact

Subscribed and sworn to before this \_\_\_\_ day of February, 2011.

Witness my hand and official seal.

[SEAL]

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

\_\_\_\_\_  
Notary Public

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

IN THE MATTER OF THE APPLICATION OF )  
ENCANA OIL & GAS (USA) INC. FOR AN )  
ORDER ESTABLISHING ONE (1) 320-ACRE )  
WELLBORE SPACING UNIT FOR ONE (1) )  
HORIZONTAL WELL FOR THE CODELL )  
FORMATION AND ONE (1) HORIZONTAL )  
WELL FOR THE NIOBRARA FORMATION IN )  
SECTION 33, TOWNSHIP 3 NORTH, RANGE )  
67 WEST, 6<sup>TH</sup> P.M., IN THE WATTENBERG )  
FIELD, WELD COUNTY, COLORADO )

Cause No. 407  
  
Docket No. \_\_\_\_\_

**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 & Gas (USA) Inc., that on or before February \_\_\_\_, 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 February \_\_\_\_, 2011.

Witness my hand and official seal.

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

\_\_\_\_\_  
Notary Public

## **EXHIBIT A**

Encana Oil & Gas (USA) Inc.  
370 17<sup>th</sup> Street, #1700  
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