

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 POOLING ALL NON-CONSENTING )  
INTERESTS IN THE CODELL, NIOBRARA )  
AND J SAND FORMATIONS IN A )  
DESIGNATED 160-ACRE WELLBORE )  
SPACING UNIT IN 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 Colorado Oil and Gas Conservation Commission ("Commission"), for an order to pool all working, unleased, and/or non-consenting interests within a designated 160-acre wellbore spacing unit for production from the Codell, Niobrara and J Sand Formations with the subject well being located in Section 21, Township 2 North, Range 68 West, 6<sup>th</sup> P.M., Weld County, Colorado. 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, and is a registered operator in good-standing with the Commission.
2. Applicant owns certain leasehold interests in the following lands (hereinafter referred to as "Application Lands"):

Township 2 North, Range 68 West, 6<sup>th</sup> P.M.  
Section 21: N½NE¼

Weld County, Colorado (hereinafter "Application Lands").

3. On October 19, 1981, the Commission issued Order No. 232-23, which among other things, amended Order No. 232-20 to establish additional 320-acre drilling and spacing units and allow a second well to be drilled for the production of gas and associated hydrocarbons from the "J" Sand Formation, for certain lands, including Application Lands.

4. 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, 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 Orders 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.

6. Applicant designated a 160-acre wellbore spacing unit, as described below, for the production of oil, gas, and associated hydrocarbons from the J-Sand, Codell, and Niobrara, Formations pursuant to Rule 318A.e. and notified the appropriate parties under Rule 318A.e.(6). Applicant did not receive any objections to the establishment of the proposed Wellbore Spacing Unit within the 20-day response period, and, as such, certifies to the Commission that it did not receive any objections to the well location, proposed spacing unit, or proposed formations.

7. Applicant, pursuant to Commission Rule 530 and pursuant to the provisions of C.R.S. §34-60-116 (6) and (7), seeks an order to involuntarily pool all interests not voluntarily pooled (including working interests) in the Codell, Niobrara and J Sand Formations underlying the following designated 160-acre wellbore spacing unit:

Township 2 North, Range 68 West, 6<sup>th</sup> P.M.  
Section 21: N $\frac{1}{2}$ NE $\frac{1}{4}$   
Section 16: S $\frac{1}{2}$ SE $\frac{1}{4}$

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

8. Applicant directionally drilled the Kennedy 6-0-21 Well ("Well") within the designated Wellbore Spacing Unit. The surface location of the Well is in the NW $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 21, Township 2 North, Range 68 West. The bottomhole location is located 50' FNL and 1,350' FEL of Section 21, Township 2 North, Range 68 West. The Well was spud on January 2, 2011. A Well Location Certificate for the Well is attached hereto.

9. Applicant holds an approved Application for Permit to Drill for the Well.

10. Exhibit A attached hereto lists working interest owners for the 160-acre wellbore spacing unit together with their addresses. All working interest owners (not otherwise voluntarily pooled) have been offered the opportunity to voluntarily participate in the drilling of the Well. To date, however, not all of such working interest owners have elected to participate by agreeing to bear their respective proportionate shares of the costs and risks of drilling, completing and operating the well. An Authority for Expenditure ("AFE") containing the information respecting this well, required by Commission Rule 530.b., was sent to each working interest owner more than thirty (30) days prior to the date of the hearing on this application.

11. Applicant requests that the Commission's involuntary pooling order, and all costs associated with the Well and this involuntary pooling, issued with respect to this Application be retroactive to the earliest date costs are incurred for the Well as allowed by C.R.S. § 34-60-116(7), or the date of this Application, whichever is earlier.

12. Notice of this Application has been provided to those parties listed on Exhibit A attached hereto.

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 enter its order:

A. Pooling involuntarily all of the working interest owners listed on Exhibit A with whom Applicant has been unable to secure an agreement for the drilling of the Kennedy 6-0-21 Well as described in Paragraph 8 and ordering that such working interest owners be treated as non-consenting owners under C.R.S. § 34-60-116 and made subject to the terms and penalties provided for therein.

B. Finding that all interest owners in the designated 160-acre wellbore spacing unit on the Application Lands which are not voluntarily pooled be involuntarily pooled.

C. Establishing that that the Commission's involuntary pooling order, and all costs associated with the Kennedy 6-0-21 Well and this involuntary pooling, issued with respect to this Application shall be retroactive to the earliest date costs are incurred for the Well as allowed by C.R.S. § 34-60-116(7), or the date of this Application, whichever is earlier.

D. Providing for such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this \_\_\_\_ day of June, 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 Street, Suite 1700  
Denver, Colorado 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: \_\_\_\_\_

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

Witness my hand and official seal.

[SEAL]

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

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

EXHIBIT A  
Interested Parties

Working Interest Owners (Non-consenting):

Blaine Snyder  
500 West 6<sup>th</sup> Street, Suite 200  
Austin, TX 78701

Hef-Lin Energy Corp  
500 West 6<sup>th</sup> Street, Suite 200  
Austin, TX 78701

Working Interest Owners (Consenting):

Kerr McGee Oil & Gas Onshore LP  
PO Box 370875  
Dallas, TEXAS 75373-0875

Royalty Interest Owners:

Lafarge West Inc  
Attn Marti Rivas  
0170 Church Ranch Way Ste 200  
Denver, COLORADO 80021

Carl E Kennedy  
200 Walnut Creek Rd  
Pampa, TEXAS 79065

Clifford R & Marilyn Henderson  
8750 W County Road 5  
Longmont, COLORADO 80504-9465

Gene Alan Colclasure  
8721 W County Road 7  
Longmont, COLORADO 80504

Jace A & Jennifer Colclasure  
2832 Weld County Road 20  
Longmont, COLORADO 80504

Helen C Nelson LLC  
c/o Guaranty Bank & Trust Company  
PO Box 1159  
Longmont, COLORADO 80502-1159

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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 June \_\_\_\_, 2011, 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 on \_\_\_\_\_, 2011.

Witness my hand and official seal.

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

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