

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 ALLOWING A VARIANCE FROM)
RULE 318A.f. FOR THE SW¼ OF SECTION)
36, TOWNSHIP 1 NORTH, RANGE 68 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"), for an order: (i) 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 SW¼ of Section 36, Township 1 North, Range 68 West, 6th P.M., Weld County, Colorado ("Application Lands"), and (ii) allowing a total of nine (9) producing completions for the J-Sand Formation of the Application Lands and a total of ten (10) producing completions for the Codell and Niobrara Formations for 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.

5. 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.

6. There is currently one (1) existing producing well for the J-Sand Formation on the Application Lands and one (1) existing producing well for the Codell and Niobrara Formations for the Application Lands. Applicant proposes to directionally drill eight (8) wells, for a total of nine (9) wells (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the J-Sand Formation. Applicant proposes to directionally drill nine (9) wells, for a total of ten (10) wells (i.e. producing completions), for the production of oil, gas, and associated hydrocarbons from the Codell Formation or Niobrara Formations on the Application Lands.

7. The well orientation and proposed bottomhole locations of the one (1) additional well will result in the SW¼ of Section 36, Township 1 North, Range 68 West containing nine (9) wells for the production of oil, gas, and associated hydrocarbons from the J-Sand Formation. The drilling of the Northglenn State 33-36 Well will result in such well being the ninth (9th) well in the SW¼ of Section 36, Township 1 North, Range 68 West for the production of oil, gas, and associated hydrocarbons from the J-Sand Formation. The Well Location Certificate for the Northglenn State 33-36 Well is attached hereto.

8. The well orientation and proposed bottomhole locations of the two (2) wells will result in the SW¼ of Section 36, Township 1 North, Range 68 West containing ten (10) wells for the production of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations. The drilling of the Northglenn State 33-36 Well and the Northglenn State 19-36 Well will result in such wells being the ninth (9th) and tenth (10th) wells, respectively, in the SW¼ of Section 36, Township 1 North, Range 68 West for the production of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations. The Well Location Certificates for the Northglenn State 33-36 and the Northglenn State 19-36 Wells are attached hereto.

9. The surface locations for the Northglenn State 33-36 and the Northglenn State 19-36 Wells are located within an established drilling window pursuant to Commission Rule 318A.a. Further, the wells will be drilled concurrently therefore having minimal additional impact to the surface.

10. 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 J-Sand Formation of the Application Lands and a total of ten (10) wells to be drilled and completed to the Codell or Niobrara Formations of the Application Lands.

11. Applicant asserts that this request to exceed the eight (8) well limit in the SW¼ of Section 36, Township 1 North, Range 68 West is made in order to prevent waste and to maximize the efficient and economic production of the J-Sand, Codell, and Niobrara Formations hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

12. 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. Approving a Commission Rule 502.b. 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 J-Sand

Formation of the Application Lands and a total of ten (10) wells to be drilled and completed to the Codell or Niobrara Formations of the Application Lands;

B. Approving the surface locations for Northglenn State 33-36 and the Northglenn State 19-36 Wells as located within an established drilling window pursuant to Commission Rule 318A.a. and confirming that the drilling of such wells will result in minimal additional surface impact;

C. Finding that allowing a total of total of nine (9) wells to be drilled and completed to the J-Sand Formation of the Application Lands and a total of ten (10) wells to be drilled and completed to the Codell or Niobrara Formations of the Application Lands will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the J-Sand, Codell, and Niobrara Formations on the Application Lands; and

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

Dated this 17th day of March, 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
Ker-McGee Oil & Gas Onshore LP

Subscribed and sworn to before this ____ day of March, 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 March ___, 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 March ___, 2011.

Witness my hand and official seal.

My commission expires: _____.

Notary Public

EXHIBIT A
INTERESTED PARTIES

Kerr-McGee Oil & Gas Onshore, LP
P. O. Box 173779
Denver, CO 80217-3779

Colorado State Board of Land
Commissioners
1313 Sherman Street, Suite 621
Denver, CO 80202

Noble Energy, Inc.
1625 Broadway, Suite 2200
Denver, CO 80202

Anadarko E & P Company LP
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Denver, CO 80217-3779

Celia Greenman
Colorado Division of Wildlife
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Denver, CO 80216

Kent Kuster
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