

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 ALLOWING A VARIANCE FROM)
RULE 318A.f. FOR THE NE¼ OF SECTION 24,)
TOWNSHIP 4 NORTH, RANGE 66 WEST, 6TH)
P.M., IN THE WATTENBERG FIELD, WELD)
COUNTY, COLORADO)

Cause No. 407

Docket No. _____

APPLICATION

COMES NOW Encana Oil & Gas (USA) Inc. ("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 Codell and Niobrara Formations as applied to the NE½ of Section 24, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado ("Application Lands"), and (ii) allowing a total of nine (9) producing completions in the Niobrara Formation underlying 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. A reference map is attached hereto.
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 Codell or Niobrara Formations in any 160-acre governmental quarter section.

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

7. The well orientation and proposed bottomhole locations of the additional well will result in the NE $\frac{1}{4}$ of Section 24, Township 4 North, Range 66 West containing nine (9) wells. The drilling of the Segal Well 1A-24H Well will result in such well being the ninth (9th) well in the NE $\frac{1}{4}$ of Section 24, Township 4 North, Range 66 West.

8. The surface location for the additional horizontal well is pending as of the date of this Application. Applicant shall file an Application for Permit to Drill for the Segal 1A-24H Well with the Commission describing the proposed surface hole location and proposed bottomhole location.

9. 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 Niobrara Formation for the Application Lands.

10. Applicant asserts that this request to exceed the eight (8) well limit in the NE $\frac{1}{4}$ of Section 24, Township 4 North, Range 66 West is made in order to prevent waste and to maximize the efficient and economic production of the Niobrara Formation hydrocarbon reserves without adversely affecting correlative rights of adjacent owners.

11. The parties listed on Exhibit A were provided notice pursuant to Commission Rules.

12. This Application is filed concurrently with Applicant's request for a 320-acre wellbore spacing unit for the Application Lands.

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 Niobrara Formation for the Application Lands;

B. Finding that allowing a total of nine (9) wells on the Application Lands will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Niobrara Formation on the Application Lands; and

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

Dated this ____ day of March, 2011.

Respectfully submitted,

Encana Oil & Gas (USA), Inc.

By: _____

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Michael J. Wozniak
Elizabeth Y. Gallaway
Beatty & Wozniak, P.C.
Attorneys for Applicant
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(303) 407-4499

Applicant's Address:
370 17th St # 1700
Denver, CO 80202

VERIFICATION

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

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

Encana Oil & Gas (USA) Inc.
370 17th 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
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