

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 IN THE NIOBRARA)
FORMATION FOR 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. (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 Niobrara Formation underlying the N½ of Section 24, Township 4 North, Range 66 West, 6th 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 and Applicant is the operator 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 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. A reference map is attached hereto.

5. Applicant plans to drill one (1) horizontal well on the Application Lands. The Segal 1A-24H Well shall be drilled on the Application Lands and Applicant shall file an Application for Permit to Drill with the Commission describing the proposed surface hole location and proposed bottomhole location.

6. Applicant requests that the Commission establish a 320-acre wellbore spacing for the Segal 1A-24H Well on the Application Lands. The proposed 320-acre wellbore spacing unit shall consist of the N½ of Section 24, Township 4 North, Range 66 West, 6th P.M., Weld County, Colorado ("Wellbore Spacing Unit").

7. Applicant further confirms that it is not changing the established 80-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 Segal 1A-24H Well on a 320-acre basis.

8. Applicant asserts that a 320-acre wellbore spacing unit for the Segal 1A-24H Well 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 one (1) horizontal well in such unit.

9. Applicant shall make a good faith effort to locate the surface location of the Segal 1A-24H Well within an established drilling window pursuant to Commission Rule 318A.a.

10. The initial perforation of the Niobrara Formation, and the ultimate bottomhole location for the Segal 1A-24H Well, shall be no closer than 460' from the boundaries of the 320-acre wellbore spacing unit. The Applicant maintains that the one (1) horizontal well 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 Segal 1A-24H Well;

B. Establishing that the initial perforation of the Niobrara Formation, and the ultimate bottomhole location for the Segal 1A-24H Well, shall be no closer than 460' from the boundaries of the 640-acre wellbore spacing unit;

C. Finding that the 320-acre wellbore spacing unit will prevent waste, protect correlative rights, and will maximize the efficient and economic production of the Niobrara Formation on the Application Lands; and

D. 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
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