

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 NONCONSENTING )  
WORKING INTERESTS AND UNLEASED )  
MINERAL INTERESTS IN THE CODELL, )  
NIOBRARA AND J SAND FORMATIONS IN A )  
160-ACRE WELLBORE SPACING UNIT IN )  
BROOMFIELD COUNTY, COLORADO )

Cause No. \_\_\_\_\_

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 an 160-acre wellbore spacing unit for production of oil, gas, and associated hydrocarbons from the Codell, Niobrara and J Sand Formations with the subject well being located in Section 26, Township 1 North, Range 68 West, 6<sup>th</sup> P.M., Broomfield 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 1 North, Range 68 West, 6<sup>th</sup> P.M.

Section 26: NE $\frac{1}{4}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$

Section 23: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$

Broomfield County, Colorado ("Application Lands").

3. On October 19, 1981, the Commission issued Order No. 232-23 which, among other things, established 320-acre drilling and spacing units for the production of gas and associated hydrocarbons from the J-Sand for the Application Lands and allowed up to two (2) wells to be drilled within each 320-acre drilling and spacing unit.

4. On November 21, 1983, the Commission issued Order No. 407-1, which among other things, established 80-acre drilling and spacing units for certain lands, including Application Lands, for the production of gas and associated hydrocarbons from the Codell Formation.

5. 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.

6. 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.

7. Pursuant to Rules 318 A.e and 318A.a, Applicant has designated a wellbore spacing unit within the Application Lands, as described in Paragraph 8 below, for the production of oil, gas, and associated hydrocarbons from the Codell, Niobrara, and J-Sand Formations. Further, pursuant to Rule 318A.e.(6), Applicant has notified the appropriate parties of such designation and has not received any objections to this designation within the 20-day response period allowed for objection under the rule. Applicant hereby certifies such designation to the Director and states that no timely objections were received.

8. 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 and unleased mineral interests) in the Codell, Niobrara, and J Sand Formations underlying the following designated 160-acre wellbore spacing unit:

Township 1 North, Range 68 West, 6<sup>th</sup> P.M.

Section 26: NE $\frac{1}{4}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$

Section 23: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$

Broomfield County, Colorado (hereafter "Wellbore Spacing Unit").

8. Applicant directionally drilled the Alaux 4-0-26 Well within the designated Wellbore Spacing Unit. A well location certificate showing the location of the Alaux 4-0-26 Well is attached. The surface location of the Alaux 4-0-26 Well is in the NE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 26, Township 1 North, Range 68 West. The bottomhole location is located 50' FNL and 2550' FWL of Section 26, Township 1 North, Range 68 West. The Alaux 4-0-26 Well was spud on May 25, 2010.

9. Applicant holds an approved Application for Permit to Drill for the Alaux 4-0-26 Well.

10. Exhibit A attached hereto lists working interest owners and unleased mineral interest owners for the 160-acre drilling and 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 Alaux 4-0-26 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. AFEs containing the information respecting this well, required by Commission Rule 530.b., were sent to these working interest owners more than thirty (30) days prior to the date of the hearing on this application.

11. Exhibit A also lists any unleased mineral owners within the Wellbore Spacing Unit. All unleased mineral owners (not otherwise voluntarily pooled) have been offered the opportunity to participate in the drilling of the Alaux 4-0-26 Well. To date, however, not all of such owners have elected to participate by agreeing to bear their proportionate shares of the costs and risks of drilling, completing and operating the well. In addition, Applicant has made offers to lease each of these unleased mineral owners (not otherwise voluntarily pooled) as required by Commission Rule 530.c. and C.R.S. § 34-60-116(7)(d). To date, however, not all of such unleased mineral owners have accepted such offers. Such AFEs and offers to participate in drilling or to lease were sent to these unleased mineral interest owners more than thirty (30) days prior to the date of the hearing on this Application.

12. Applicant requests that the Commission's involuntary pooling order, and all costs associated with the Alaux 4-0-26 Well and this involuntary pooling, issued with respect to this Application be retroactive to the earliest date costs are incurred for the Alaux 4-0-26 Well as allowed by C.R.S. §34-60-116(7), or the date of this Application, whichever is earlier.

13. 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 Alaux 4-0-26 Well and ordering that such working interest owners be treated as non-consenting owners under C.R.S. § 34-60-116 and made subject to all of the terms, costs, and penalties provided for therein.

B. Pooling involuntarily all of the unleased mineral interest owners listed on Exhibit A with whom Applicant has been unable to secure a lease or an agreement for the drilling of the Alaux 4-0-26 Well and ordering that such owners be treated as non-consenting owners under C.R.S. § 34-60-116 and made subject to all of the terms, costs, and penalties provided for therein.

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

D. Establishing that the Commission's involuntary pooling order, and all costs associated with the Alaux 4-0-26 Well and this involuntary pooling, issued with respect to this Application be retroactive to the earliest date costs are incurred for the Alaux 4-0-26 Well as allowed by C.R.S. §34-60-116(7), or the date of this Application, whichever is earlier.

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

DATED this \_\_\_\_ day of March, 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)

\_\_\_\_\_, \_\_\_\_\_, of lawful age, being first duly sworn upon oath, deposes and says that he/she is Agent and Attorney-in-Fact for Encana Oil and Gas (USA) Inc. and that he/she has read the foregoing Application and that the matters therein contained are true to the best of his knowledge, information and belief.

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

Witness my hand and official seal.

[SEAL]

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

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

**EXHIBIT A**  
**Interested Parties**

**WORKING INTEREST OWNERS:**

Kerr-McGee Oil & Gas Onshore Inc.  
1099 18th Street, 6th Floor  
Denver, CO 80202  
(Consenting)

Encana Oil & Gas (USA) Inc.  
370 17th Street, Suite 1700  
Denver, CO 80202  
(Applicant)

Timothy S. Hager  
155 East Boardwalk Drive  
Fort Collins, CO 80525  
(Consenting)

F.S. Habib  
46 Baldwin Farms North  
Greenwich, CT 06831  
(Consenting)

Emil Damia  
432 Magellan Avenue  
Half Moon Bay, CA 94019  
(Non-consenting)

Paul J. Kenny  
19 Old Town Square  
Fort Collins, CO 80526  
(Consenting)

Nancy L. Roberts  
21900 County Road 196  
Nathrop, CO 81236  
(Consenting)

Leslie M. Trexler  
21900 County Road 196  
Nathrop, CO 81236  
(Consenting)

Richard and Barbra Gamlen Trust  
554 Craig Road  
Hillsborough, CA 94010  
(Non-consenting)

ExecuVest, Inc.  
4220 S. Allison Street  
Lakewood, CO 80534  
(Consenting)

Dennis Gamlen  
2315 Deer Meadow Road  
Missouri City, TX 77489 (Consenting)

Dennis A. Gamlen  
Trustee of the Barbara Marie Gamlen Trust  
2315 Deer Meadow Road  
Missouri City, TX 77489  
(Consenting)

Tod L. Gamlen  
Trustee of the Tod L. Gamlen Childrens' Trust  
1040 Via Del Pozo  
Los Altos, CA 94022  
(Non-consenting)

**ROYALTY OWNERS:**

Vernon L. Alaux & Denise Vaughn  
Trustees of the Vernon L. Alaux Family Trust  
4040 WCR 6  
Erie, CO 80516

Robert Gene La Roche  
Trustee of the Robert G. La Roche Living Trust  
6161 Iroquois Rd  
Westminster, CA 92683

Norden, LLC  
300 Union Blvd., #350  
Lakewood, CO 80228

Save a Child Incorporated,  
a CO Non-Profit Corporation  
4700 County Road 6  
Erie, CO 80516

Arrowpoint Cattle Company, LLC  
21900 County Road 196  
Nathrop, CO 81236

Anadarko E & P Company LP  
1099 18th Street, 6th Floor  
Denver, CO 80202

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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 March \_\_, 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 March \_\_\_\_, 2011.

Witness my hand and official seal.

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

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