

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 POOLING ALL INTERESTS IN)
THE CODELL, NIOBRARA AND J-SAND)
FORMATIONS IN A DESIGNATED)
WELLBORE SPACING UNIT LOCATED IN)
THE WATTENBERG FIELD, WELD COUNTY,)
COLORADO

Cause No. _____

Docket No. _____

APPLICATION

COMES NOW Kerr-McGee Oil & Gas Onshore LP (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 interests within a 160-acre designated wellbore spacing unit for the drilling of a well to produce oil, gas, and associated hydrocarbons from the Codell, Niobrara and J-Sand Formations located in the following described lands:

Township 2 North, Range 65 West, 6th P.M.

Section 8: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 9: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 16: NW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 17: NE $\frac{1}{4}$ NE $\frac{1}{4}$

Weld County, Colorado ("Application Lands").

In support thereof, the Applicant states and alleges as follows:

1. Applicant is a limited partnership formed under the laws of the State of Delaware; is a wholly owned subsidiary of Anadarko Petroleum Corporation; is 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 interests in the 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 Formation underlying certain lands, including the Application Lands, and allowed up to two (2) wells to be drilled within each 320-acre drilling and spacing unit.
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, 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. On December 5, 2005, Rule 318A was amended to allow interior infill and boundary wells to be drilled and wellbore spacing units to be established. The Application Lands are subject to this Rule for the Codell, Niobrara and J-Sand Formations.

6. Applicant designated a 160-acre wellbore spacing unit, as described below, for the production of oil, gas, and associated hydrocarbons from the Codell, Niobrara and J-Sand Formations pursuant to Rule 318A and notified the appropriate parties under Rule 318A.e. Applicant did not receive any objections to the establishment of the proposed 160-acre wellbore spacing unit within the 30-day response period. Applicant hereby certifies to the Commission that it has not received any objections to the well location, proposed spacing unit or proposed formations. Applicant holds an approved Application for Permit to Drill for the Dechant 38-8 Well within the designated 160-acre wellbore spacing unit.

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 statutorily pool all interests not voluntarily pooled (including working interests and unleased mineral interests) in the Codell, Niobrara and J-Sand Formations underlying the following described 160-acre wellbore spacing unit:

Township 2 North, Range 65 West, 6th P.M.

Section 8: SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 9: SW $\frac{1}{4}$ SW $\frac{1}{4}$

Section 16: NW $\frac{1}{4}$ NW $\frac{1}{4}$

Section 17: NE $\frac{1}{4}$ NE $\frac{1}{4}$

(referred to herein as the "Wellbore Spacing Unit").

8. Applicant proposes to directionally drill the Dechant 38-8 Well ("Well") within the designated 160-acre Wellbore Spacing Unit with a surface location in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 8, Township 2 North, Range 65 West, and a bottomhole location 50' FSL, 185' FEL of Section 8, Township 2 North, Range 65 West. A Well Location Certificate for the Wellbore Spacing Unit Well is attached hereto.

9. Exhibit A attached hereto lists working interest owners, unleased mineral interest owners (if any), and/or royalty interest owners for the 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 Wellbore Spacing Unit Well. As applicable, 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 of these working interest owners more than thirty (30) days prior to the date of the hearing on this Application. Exhibit A also lists all unleased mineral owners, if any, within the Wellbore Spacing Unit. As applicable, all unleased mineral owners (not otherwise voluntarily pooled) have been offered the opportunity to participate in the drilling of the 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 and as applicable, 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 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.

10. Applicant requests that the Commission's statutory pooling order, and all costs associated with the Well and this statutory 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.

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

WHEREFORE, Applicant requests that this matter be set for hearing at the next available opportunity, that notice be given as required by law, and that upon such hearing, the Commission enter its order:

A. Pooling all interests in the Wellbore Spacing Unit for the development of the Codell, Niobrara and J-Sand Formations, including any future wells drilled to said Formations.

B. Providing that the Commission's pooling order is made effective as of the earlier of the date of this Application, or the date that any of the costs specified in C.R.S. § 34-60-116(7)(b)(II) were first incurred for the drilling of the Dechant 38-8 Well.

C. Providing that the interests of any owners with whom the Applicant has been unable to secure a lease or other agreement to participate in the drilling of the authorized well are pooled by operation of statute, pursuant to C.R.S. § 34-60-116(7), and made subject to the cost recovery provisions thereof.

D. For such other findings and orders as the Commission may deem proper or advisable in this matter.

WHEREFORE, Applicant respectfully requests that this matter be set for hearing in March 2012, that notice be given as required by law, and that upon such hearing, the Commission enter its order consistent with Applicant's request as set forth above.

DATED this ___ day of December, 2011.

Respectfully submitted,

KERR-MCGEE OIL & GAS ONSHORE LP

By: _____

Jamie L. Jost
Elizabeth Y. Gallaway
Beatty & Wozniak, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202

Address of Applicant

Kerr-McGee Oil & Gas Onshore LP
ATTN: Matthew Miller
1099 18th Street, Suite 1800
Denver, Colorado 80202

VERIFICATION

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

Matthew T. Miller, of lawful age, being first duly sworn upon oath, deposes and says that he is Agent and 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.

Matthew T. Miller
Kerr-McGee Oil & Gas Onshore LP

Subscribed and sworn to before this ____ day of December 2011.

Witness my hand and official seal.

[SEAL]

My commission expires: _____

Notary Public

EXHIBIT A
Interested Parties

Encana Oil & Gas (USA), Inc.
370 17th St. Ste 1700
Denver, CO 80202

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

James Thomason
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William D. Sarchet
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Fort Lupton, CO 80621

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Houston, TX 77251

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Homer, IL 61849

Scot Thomason
Address Unknown

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AFFIDAVIT OF MAILING

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

Elizabeth Y. Gallaway 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 December____, 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.

Elizabeth Y. Gallaway

Subscribed and sworn to before me December ____ 2011.

Witness my hand and official seal.

My commission expires: _____.

Notary Public