

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF AXIA ENERGY, LLC FOR AN ORDER ESTABLISHING A 1272.61 ACRE EXPLORATORY DRILLING AND SPACING UNIT FOR THE DRILLING OF ONE OR MORE HORIZONTAL WELLS TO THE MANCOS AND NIOBRARA FORMATIONS FOR CERTAIN DESCRIBED LANDS IN SECTIONS 6 AND 7, TOWNSHIP 7 NORTH, RANGE 89 WEST, 6TH P.M., MOFFAT COUNTY, COLORADO

CAUSE NO. _____

DOCKET NO. _____

APPLICATION

Axia Energy, LLC ("Applicant"), by and through its attorneys, Beatty & Wozniak, P.C., respectfully submits this Application to the Colorado Oil and Gas Conservation Commission ("Commission") for an order establishing an 1272.61 acre exploratory drilling and spacing unit pursuant to C.R.S. § 34-60-116(2) and establishing existing well location rules applicable to the drilling and producing of horizontal wells for the production of oil, gas, and associated hydrocarbons from the Mancos and Niobrara Formations covering certain described lands in Moffat County, Colorado and in support of its Application, Applicant states and alleges as follows:

1. Applicant is a limited liability company duly authorized to conduct business in the State of Colorado.
2. Applicant holds certain leasehold interests in the lands described below (hereafter the "Application Lands"):

Township 7 North, Range 89 West, 6th P.M., Moffat County, Colorado
Section 6: Lots 8-23; a/d/a ALL
Section 7: Lots 5-20; a/d/a ALL

A reference map of the Application Lands is attached hereto.

3. The Application Lands are subject to Commission Rule 318.a. which provides that a well to be drilled in excess of two thousand five hundred (2,500) feet in depth shall be located not less than six hundred (600) feet from any lease line, and shall be located not less than one thousand two hundred (1,200) feet from any other producible or drilling oil or gas well when drilling to the same source of supply, unless authorized by order of the Commission upon hearing. There are no specific Commission Orders applicable to the Mancos and Niobrara Formations underlying the Application Lands.

4. The Mancos and Niobrara Formations in this area are defined as the stratigraphic equivalent of the interval between 7,195' and 10,974' as found in the Peroulis Federal 3-24 Well located in the NE $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 3, Township 7

North, Range 92 West, 6th P.M., Moffat County, Colorado. The Mancos and Niobrara Formations are a common source of supply underlying the Application Lands.

5. To promote efficient drainage within the Mancos and Niobrara Formations of the Application Lands, to protect correlative rights and to avoid waste, the Commission should establish an exploratory drilling and spacing unit of approximately 1272.61 acres for the Application Lands.

6. No wells have been drilled and completed to the Mancos and Niobrara Formations on the Application Lands, or on lands in close proximity to the Application Lands.

7. That the above-proposed exploratory drilling and spacing unit will allow efficient drainage of the Mancos and Niobrara Formations; 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. Drilling and spacing units of the size and shape specified above are not smaller than the maximum area that can be economically and efficiently drained by the proposed well in each such drilling and spacing unit.

8. That the Applicant is requesting to drill and complete one or more horizontal wells in the proposed 1272.61 acre exploratory drilling and spacing unit comprised of the Application Lands. The Applicant states that each proposed horizontal well shall be located on the surface anywhere within the exploratory drilling and spacing unit, or on adjacent lands, with the treated interval of any horizontal well to be no closer than 600' from the boundaries of the 1272.61 exploratory drilling and spacing unit. The Applicant further maintains that the proposed horizontal wells will have no adverse effect on correlative rights of adjacent owners.

9. That the names and addresses of the interested parties according to the information and belief of the Applicant are set forth in Exhibit A attached hereto and made a part hereof, and the undersigned certifies that copies of this Application shall be served on each interested party within the next seven days as required by Rule 503.e.

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

Dated this ____ day of March, 2012.

Respectfully submitted,

AXIA ENERGY, LLC

By: _____

Jamie L. Jost
Dante E. Tomassoni
Beatty & Wozniak, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202

Applicant's Address:

Axia Energy LLC
ATTN: Tab McGinley
1430 Larimer Street, Suite 400
Denver, Colorado 80202

VERIFICATION

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

Tab McGinley, Vice President of Land, of Axia Energy, LLC, upon oath deposes and says that he has read the foregoing Application and that the statements contained therein are true to the best of his knowledge, information, and belief.

Tab McGinley
Vice President of Land

Subscribed and sworn to before this ____ day of March, 2012.

Witness my hand and official seal.

My commission expires:

Notary Public

[SEAL]

**EXHIBIT A
INTERESTED PARTIES**

Axia Energy, LLC
Attn: Tab McGinley
1430 Larimer Street, Suite 400
Denver, CO 80202

OXY USA Inc.
Attn: Kent Woolley
5 Greenway Plaza, Suite 110
Houston, Texas 77046

SWEPI LP
Attention: Jane Harris
P.O. Box 576
Houston, TX 77001

Next Energy, LLC
Attention: Jack Overstreet
4600 South Ulster Street, Suite 1225
Denver, CO 80237

Kent Kuster
Colorado Department Of
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Jeff Comstock
Moffat County
221 W Victor Way, Suite 130
Craig, Co 81625

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DOCKET NO. _____

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

That she is the attorney for Axia Energy, LLC, that on or before April __, 2012, 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.

My commission expires: _____.

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