

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

IN THE MATTER OF CHANGES TO THE	)	CAUSE NO. 1R
RULES AND REGULATIONS OF THE OIL	)	
AND GAS CONSERVATION COMMISSION	)	DOCKET NO. 0508-RM-01
OF THE STATE OF COLORADO	)	

NOTICE OF RULE-MAKING HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On June 10, 2005, Kerr McGee Rocky Mountain Corporation, EnCana Oil & Gas (USA) Inc. and Noble Energy Production Inc. f/k/a Patina Oil & Gas Corporation filed with the Commission an application requesting that Rule 318A. of the Commission's Rules and Regulations be amended as described below, and that the Policy on Staff Administrative Application of the Greater Wattenberg Area Special Well Location Rule 318A. dated April 26, 1999 be eliminated.

Rule 318A. Greater Wattenberg Area Special Well Location, SPACING AND UNIT DESIGNATION Rule

a. GWA WELLS AND GWA WINDOWS. The Greater Wattenberg Area ("GWA") is defined to include those lands from and including Townships 2 South to 7 North and Ranges 61 West to 69 West, 6<sup>th</sup> P.M. In THE GWA, operators may utilize the following described SURFACE drilling locations to drill, ~~or twin a well,~~ deepen ~~a well,~~ or recompleat e a well and to commingle any or all of the Cretaceous Age formations from the base of the Dakota FORMATION to the surface ("GWA Wells"):

(1) A square with sides four hundred (400) feet in length, the center of which is the center of any GOVERNMENTAL quarter~~/quarter~~ section ("400' WINDOW"); and,

(2) A square with sides eight hundred (800) feet in length, the center of which is the center of any quarter section ("800' WINDOW").

THESE SURFACE WELL LOCATIONS ARE COLLECTIVELY REFERRED TO HEREIN AS "GWA WINDOWS". ABSENT A SHOWING OF GOOD CAUSE, WHICH SHALL INCLUDE THE EXISTENCE OF A SURFACE USE OR OTHER AGREEMENT WITH THE SURFACE OWNER AUTHORIZING A SURFACE WELL LOCATION OUTSIDE OF A GWA WINDOW, ALL SURFACE WELLSITES SHALL BE LOCATED WITHIN A GWA WINDOW.

(3) UNIT DESIGNATIONS.

(i) 400' WINDOW

WHEN COMPLETING A GWA WELL IN A 400' WINDOW TO A SPACED FORMATION, THE OPERATOR SHALL DESIGNATE DRILLING AND SPACING UNITS IN ACCORDANCE WITH EXISTING SPACING ORDERS.

(ii) 800' WINDOW

WHEN COMPLETING A GWA WELL IN AN 800' WINDOW, THE OPERATOR SHALL: (I) DESIGNATE DRILLING AND SPACING UNITS IN ACCORDANCE WITH EXISTING SPACING ORDERS WHERE UNITS ARE NOT SMALLER THAN A GOVERNMENTAL QUARTER SECTION; OR (II) FORM A VOLUNTARY DRILLING AND SPACING UNIT CONSISTING OF A GOVERNMENTAL QUARTER SECTION; OR (III) WHERE DESIGNATING A DRILLING AND SPACING UNIT SMALLER THAN A GOVERNMENTAL QUARTER SECTION, SECURE WAIVER(S) FROM THE OPERATOR OR FROM THE MINERAL OWNERS (IF THE OPERATOR IS ALSO THE HOLDER OF THE MINERAL LEASE) OF THE LANDS IN THE QUARTER SECTION THAT ARE NOT TO BE INCLUDED IN THE SPACING UNIT; OR (IV) APPLY TO THE COMMISSION TO FORM AN ALTERNATE UNIT OR TO RESPACE THE AREA.

(iii) UNSPACED AREAS

WHEN COMPLETING A GWA WELL TO AN UNSPACED FORMATION, THE OPERATOR SHALL DESIGNATE A DRILLING AND SPACING UNIT NOT SMALLER THAN A GOVERNMENTAL QUARTER QUARTER SECTION IF SUCH WELL IS PROPOSED TO BE LOCATED GREATER THAN 460' FROM THE BOUNDARY OF THE QUARTER QUARTER SECTION IN WHICH IT IS LOCATED. IF A WELL IS PROPOSED TO BE LOCATED LESS THAN 460' FROM THE QUARTER QUARTER SECTION BOUNDARY, A WELLBORE SPACING UNIT FOR SUCH WELL SHALL BE COMPRISED OF THE FOUR 40-ACRE GOVERNMENTAL QUARTER QUARTER SECTIONS NEAREST TO THE WELLBORE (THE "WELLBORE SPACING UNIT").

B. INTERIOR INFILL WELLS. ADDITIONAL BOTTOM HOLE LOCATIONS FOR GWA WELLS ARE HEREBY ESTABLISHED GREATER THAN 460 FEET FROM THE OUTER BOUNDARY OF ANY EXISTING 320-ACRE DRILLING AND SPACING UNIT ("INTERIOR INFILL WELLS"). PURSUANT TO THE WELL LOCATION PROVISIONS OF SUBSECTION A.(2) ABOVE, INTERIOR INFILL WELL LOCATIONS SHALL BE REACHED BY UTILIZING DIRECTIONAL DRILLING TECHNIQUES FROM THE GWA WINDOWS.

(1) IF A BOTTOM HOLE LOCATION FOR AN INTERIOR INFILL WELL IS PROPOSED TO BE LOCATED LESS THAN 460 FEET FROM THE OUTER BOUNDARY OF AN EXISTING DRILLING AND SPACING UNIT, A WELLBORE SPACING UNIT, AS DEFINED ABOVE IN A.(3)(III), SHALL BE DESIGNATED FOR SUCH WELL.

(2) IF A BOTTOM HOLE LOCATION FOR AN INTERIOR INFILL WELL IS PROPOSED TO BE LOCATED GREATER THAN 460 FEET FROM THE OUTER BOUNDARY OF AN EXISTING 80-ACRE OR EXISTING 320-ACRE DRILLING AND SPACING UNIT, THE SPACING UNIT FOR SUCH WELL SHALL CONFORM TO THE EXISTING 80-ACRE OR EXISTING 320-ACRE DRILLING AND SPACING UNIT.

C. BOUNDARY WELLS. ADDITIONAL BOTTOM HOLE LOCATIONS FOR GWA WELLS ARE HEREBY ESTABLISHED FOR WELLS PROPOSED TO HAVE EITHER A VERTICAL SURFACE LOCATION OR A DIRECTIONAL BOTTOM HOLE LOCATION THAT IS LOCATED LESS THAN 460 FEET FROM THE OUTER BOUNDARY OF A 320-ACRE GOVERNMENTAL HALF SECTION OR FROM THE OUTER BOUNDARY OF ANY EXISTING 320-ACRE DRILLING AND SPACING UNIT BOUNDARY ("BOUNDARY WELLS"). A NEW WELLBORE SPACING UNIT SHALL BE DESIGNATED BY THE OPERATOR FOR EACH BOUNDARY WELL AND SHALL BE COMPRISED OF THE FOUR 40-ACRE GOVERNMENTAL QUARTER SECTION TRACTS NEAREST TO THE WELLBORE THAT COMPRISE A 160-ACRE SQUARE AROUND THE WELLBORE REGARDLESS OF SECTION OR QUARTER SECTION LINES. THE PROCEDURE TO OBTAIN APPROVAL FOR BOUNDARY WELLS IS SET FORTH IN SUBSECTION H. BELOW.

~~bD.~~ RECOMPLETION/COMMINGLING. Any GWA Well in existence prior to the effective date of this Rule, which is not located as described above, may also be utilized for deepening to or recompletion in any Cretaceous Age formation, and for the commingling of production therefrom.

~~c.~~ ~~Where an existing well cannot be utilized for deepening or recompletion, for reasons including, but not limited to, differing ownership or wellbore limitations, any new, twinned well shall be located as close to such existing well as is practicable, consistent with sound engineering practice.~~

~~dE.~~ PRIOR WELLS EXCEPTED. This Rule does not alter the size or configuration of drilling units for GWA Wells in existence prior to ~~its~~ THE effective date OF THIS Rule. Where deemed necessary BY an operator for purposes of allocating production, such operator may allocate production to ~~an expanded~~ ANY drilling AND SPACING unit with respect to a particular Cretaceous Age formation consistent with the provisions of this Rule.

F. LIMIT ON LOCATIONS. THIS RULE DOES NOT LIMIT THE NUMBER OF FORMATIONS THAT MAY BE COMPLETED IN ANY GWA DRILLING AND SPACING UNIT NOR, SUBJECT TO SUBSECTION G. HEREOF, DOES IT LIMIT THE NUMBER OF WELLS THAT MAY BE LOCATED WITHIN THE GWA WINDOWS. HOWEVER, ABSENT COMMISSION ORDER OTHERWISE, A 20-ACRE PRODUCING WELLBORE DENSITY IS AUTHORIZED IN EACH EXISTING DRILLING AND SPACING UNIT FOR EACH GWA FORMATION SUBJECT TO THIS RULE 318A.

G. SURFACE LOCATIONS. PRIOR TO THE APPROVAL OF ANY APPLICATION FOR PERMIT-TO-DRILL SUBMITTED FOR A GWA WELL, THE PROPOSED SURFACE WELL LOCATION SHALL BE REVIEWED IN ACCORDANCE WITH THE FOLLOWING CRITERIA:

(1) A NEW SURFACE WELL LOCATION SHALL BE APPROVED IN ACCORDANCE WITH COGCC RULES WHEN IT IS LESS THAN 100' FROM AN EXISTING SURFACE WELL LOCATION IN OR ATTRIBUTED TO THE A GWA WINDOW.

(2) WHEN THE OPERATOR IS REQUESTING A NEW SURFACE WELL LOCATION GREATER THAN 100' FROM AN EXISTING SURFACE WELL LOCATION, THE OPERATOR SHALL NOTIFY THE SURFACE OWNER ON WHICH THE WELL IS PROPOSED TO BE LOCATED (THE "DIRECTLY AFFECTED SURFACE OWNER") IN WRITING THAT SUCH OWNER HAS THE OPPORTUNITY TO OBJECT. IF THE DIRECTLY AFFECTED SURFACE OWNER INDICATES IN WRITING THAT THEY DO NOT OBJECT, THE DIRECTOR MAY APPROVE THE WELL LOCATION ADMINISTRATIVELY.

(3) IF THERE IS NO WELL LOCATED WITHIN A GWA WINDOW BUT THERE IS AN APPROVED EXCEPTION LOCATION WELL LOCATED OUTSIDE OF A GWA WINDOW THAT IS ATTRIBUTED TO SUCH WINDOW, THE PROVISIONS OF SUBSECTIONS (1) AND (2) OF THIS SUBSECTION G. SHALL BE APPLICABLE TO SUCH LOCATION.

H. NOTICE AND HEARING PROCEDURES FOR BOUNDARY WELLS AND WELLBORE SPACING UNITS. FOR PROPOSED BOUNDARY WELLS AND FOR WELLBORE SPACING UNITS AUTHORIZED HEREUNDER, THE FOLLOWING PROCESS SHALL APPLY:

(1) NOTICE SHALL BE GIVEN BY CERTIFIED MAIL BY THE OPERATOR OF THE PROPOSED BOUNDARY WELL OR WELLBORE SPACING UNIT TO ALL WORKING INTEREST OWNERS AND UNLEASED MINERAL INTEREST OWNERS IN THE PROPOSED WELLBORE SPACING UNIT ("OWNERS").

(2) EACH OWNER SHALL HAVE A 20-DAY PERIOD AFTER RECEIPT OF SUCH NOTICE TO OBJECT IN WRITING TO THE OPERATOR TO SUCH WELL LOCATION AND THE PROPOSED WELLBORE SPACING UNIT. ABSENT RECEIPT OF AN OBJECTION BY THE OPERATOR FROM AN OWNER WITHIN SUCH 20-DAY PERIOD, THE DIRECTOR MAY ADMINISTRATIVELY APPROVE THE BOUNDARY WELL OR WELLBORE SPACING UNIT PROVIDED THAT IT DOES NOT EXCEED A 20-ACRE DENSITY PATTERN FOR THE EXISTING DRILLING AND SPACING UNIT IN WHICH IT IS DRILLED AS SET FORTH IN SUBSECTION F. ABOVE. A LOCATION PLAT EVIDENCING THE WELLBORE SPACING UNIT

AND WELL LOCATION SHALL BE SUBMITTED TO THE DIRECTOR TOGETHER WITH COPIES OF ANY SURFACE WAIVERS AND A CERTIFICATION THAT NO TIMELY OBJECTIONS WERE RECEIVED. AN APPLICATION FOR PERMIT-TO-DRILL, FORM 2, SPECIFICALLY IDENTIFYING THAT A BOUNDARY WELL OR A WELLBORE SPACING UNIT IS PROPOSED, SHALL ALSO BE FILED WITH THE COMMISSION IN ACCORDANCE WITH RULE 303.

I. EXCEPTION LOCATIONS. THE PROVISIONS OF RULE 318.C. RESPECTING EXCEPTION LOCATIONS SHALL REMAIN APPLICABLE TO GWA WELLS, HOWEVER, ABSENT TIMELY OBJECTION, BOUNDARY WELLS OR WELLBORE SPACING UNITS SHALL BE ADMINISTRATIVELY APPROVED AS PROVIDED IN SUBSECTION H.(2) ABOVE.

eJ. CORRELATIVE RIGHTS. This Rule shall not serve to bar the granting of relief to owners who file an application alleging abuse of their correlative rights to the extent that such owners can demonstrate that their opportunity to produce the Cretaceous Age formations from the drilling locations AND DRILLING AND SPACING UNITS herein authorized does not provide an equal opportunity to obtain their just and equitable share of oil and gas from such formations.

#K. SUPERCEDES POLICY. ~~Subject to paragraph d. above,~~ This Rule supersedes AND REPLACES THE POLICY ON STAFF ADMINISTRATIVE APPLICATION OF THE GREATER WATTENBERG AREA WELL LOCATION RULE 318A. AND MODIFIES all prior Commission drilling and spacing orders, WELL LOCATION AND DENSITY REQUIREMENTS, INCLUDING WITHOUT LIMITATION, CAUSE NOS. 407, 232, ETC., ~~affecting the~~ FOR GWA Wells PERMITTED AFTER \_\_\_\_\_, 2005, THE DATE THIS RULE BECOMES EFFECTIVE. ~~Well location exceptions to this rule shall be subject to the provisions of Rule 318.~~

Minor modifications to other Commission rules may be necessary to conform with the amendments to the rules proposed above.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, August 15, 2005  
Time: 9:00 a.m.  
Place: Weld County Department of Planning Services Hearing Room  
918 10th Street  
Greeley, CO 80631

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Matt Walker at (303) 894-2100 ext. 139, prior to the hearing and arrangements will be made.

Copies of the current Rules and Regulations are available on the Commission Internet homepage, at the office of the Oil and Gas Conservation Commission, 1120 Lincoln Street, Suite 801, Denver, Colorado 80203, for \$10.00, or by mail upon the receipt of a check or money order for \$15.00, at the same address.

Written comments on the proposed rule amendments to be considered are requested to be submitted by August 8, 2005 for more complete consideration by the Commission. Opportunity for testimony from any interested party will be provided at the hearing, however the time in which to present testimony may be limited and parties sharing similar viewpoints are requested to appoint a spokesperson to present their testimony at the hearing.

Pursuant to said hearing, in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter its order adopting such rules and regulations as in its judgment the facts may justify.

**In accordance with Rule 509., any interested party desiring to protest any of the proposed rule amendments, or to intervene, should file with the Commission a written protest or a notice to intervene no later than August 8, 2005 briefly stating the basis of the protest or intervention.** Such interested party shall, at the same time, file an original and nine (9) copies of the protest/intervention with the Commission (Rule 503.f.).

IN THE NAME OF THE STATE OF COLORADO  
OIL AND GAS CONSERVATION COMMISSION  
OF THE STATE OF COLORADO

By \_\_\_\_\_  
Patricia C. Beaver, Secretary

Dated at Suite 801  
1120 Lincoln Street  
Denver, Colorado 80203  
June 29, 2005

Submit comments to:  
Colorado Oil and Gas Conservation Commission  
Attn: P.C. Beaver, Docket No. 0508-RM-01  
1120 Lincoln Street, Suite 801  
Denver, CO 80203  
(303) 894-2100 x115