

State of Colorado Oil and Gas Conservation Commission 1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303)894-2100



RECEIVED MAY -4 07 Plugging Bond Surety ID# 20075-0024 COGCC

APPLICATION FOR PERMIT TO:

1. [X] Drill, [] Deepen, [] Re-enter, [] Recomplete

2. TYPE OF WELL OIL [] GAS [X] COALBED [] OTHER: [] SINGLE ZONE [] MULTIPLE ZONES [X] COMMINGLE ZONES [X]

Refilling [] Sidetrack []

3. Name of Operator: EnCana Oil & Gas (USA) Inc. 4. COGCC Operator Number: 100185 5. Address: 370 17th Street, Suite 1700 City: Denver State: CO Zip: 80202 6. Contact Name: Melanie Holt Phone: 720-876-5013 Fax: 720-876-6013 7. Well Name: Bailey Well Number: 8-8-1 8. Unit Name (if appl): Unit Number: 9. Proposed Total Measured Depth: 8467'

Attachment Checklist table with columns OP and COGCC. Items include APD Orig & 1 Copy, Form 2A, Well location plat, Topo map, Mineral lease map, Surface agrmt/Surety, 30 Day notice letter, Deviated Drilling Plan, Exception Location Request, Exception Loc Waivers, H2S Contingency Plan, Federal Drilling Permit.

10. QtrQtr: SESE Sec: 1 Twp: 1N Rng: 69W Meridian: 6th P.M. Latitude: 40.07544 Longitude: 105.05937 Footage At Surface: 874' FSL 1096' FEL 11. Field Name: Wattenberg Field Number: 90750 12. Ground Elevation: 4980.1 13. County: Boulder

14. GPS Data: Date of Measurement: 01/30/2007 PDOP Reading: .231 Instrument Operator's Name: Tom Winans

15. If well is: [X] Directional [] Horizontal (highly deviated), submit deviated drilling plan. Bottomhole Sec Twp Rng: Sec 1 T1N-R69W Footage At Top of Prod Zone: 50' FSL At Bottom Hole: 50' FSL

16. Is location in a high density area (Rule 603b)? [] Yes [X] No 17. Distance to the nearest building, public road, above ground utility or railroad: 830' 18. Distance to Nearest Property Line: 470' 19. Distance to nearest well permitted/completed in the same formation: 1317 +/- 1329'

20. LEASE, SPACING AND POOLING INFORMATION table with columns: Objective Formation(s), Formation Code, Spacing Order Number (s), Unit Acreage Assigned to Well, Unit Configuration (N/2, SE/4, etc.). Rows include Niobrara, Codell, J Sand, Dakota.

21. Mineral Ownership: [X] Fee [] State [] Federal [] Indian 22. Surface Ownership: [X] Fee [] State [] Federal [] Indian 23. Is the Surface Owner also the Mineral Owner? [x] Yes [] No Surface Surety ID# 23a. If 23 is Yes: Is the Surface Owner(s) signature on the lease? [x] Yes [] No 23b. If 23 is No: [] Surface Owners Agreement Attached or [] \$25,000 Blanket Surface Bond [] \$2,000 Surface Bond [] \$5,000 Surface Bond 24. Using standard QtrQtr, Sec, Twp, Rng format enter entire mineral lease description upon which this proposed wellsite is located (attach separate sheet/map if you prefer): T1N-R69W SEC 1: S2S2, SEC 12: N2N2. 25. Distance to Nearest Mineral Lease Line: 449' 26. Total Acres in Lease: 319'

27. Is H2S anticipated? [] Yes [X] No If Yes, attach contingency plan. 28. Will salt sections be encountered during drilling? [] Yes [X] No 29. Will salt (>15,000 ppm TDS Cl) or oil based muds be used during drilling? [] Yes [X] No 30. If questions 27 or 28 are yes, is this location in a sensitive area (Rule 903)? [] Yes [X] No 31. Mud disposal: [X] Offsite [] Onsite Method: [X] Land Farming [] Land Spreading [] Disposal Facility [] Other.

OPERATOR MUST MEET WATER WELL TESTING REQUIREMENTS AS PER AMENDED RULE 318A. If 28, 29 or 30 are "Yes" a pit permit may be required.

NOTE: The use of an earthen pit for Recompletion fluids requires a pit permit (Rule 905b). If air/gas drilling, notify local fire officials. Table with columns: String, Size of Hole, Size of Casing, Weight Per Foot, Setting Depth, Sacks Cement, Cement Bottom, Cement Top. Rows for Surface and Production.

32. BOP Equipment Type: [X] Annular Preventor [X] Double Ram [X] Rotating Head [] None 33. Comments: Exception Location 318A

34. Initial Rule 306 Consultation took place on (date) 03/05/2007, was waived, or is not required. Provide supporting documentation if consultation has been waived or if good faith effort did not result in consultation. PERMIT SUBMITTED TO COGCC PRIOR TO COMPLIANCE WITH RULE 306 CONSULTATION SHALL BE RETURNED UNAPPROVED. I hereby certify that a complete permit package has been sent to the applicable Local Government Designee(s), and all statements made in this form are, to the best of my knowledge, true, correct, and complete. Signed: [Signature] Print Name: Melanie Holt Title: Permitting Agent Date: 05/02/2007 Email: melanie.holt@encana.com

Based on the information provided herein, this Application for Permit-to-Drill complies with COGCC Rules and applicable orders and is hereby approved. COGCC Approved: [Signature] Director of COGCC Date: 6/12/07

Permit Number: 20072375 Expiration Date: 6/1/09

API NUMBER 05-013-06551-00

CONDITIONS OF APPROVAL, IF ANY:

The operator shall comply with Rule 321, and it shall be the operator's responsibility to ensure that the wellbore complies with setback requirements in Commission orders or rules prior to producing the well.

1) Provide 24 hour notice of MIRU to Jim Precup at 303-469-1902 or e-mail at james.precup@state.co.us 2) Comply with Rule 317.i and provide cement coverage from TD to a minimum of 200' above Niobrara and from 200' below Shannon to 200' above Sussex. Verify coverage with cement bond log. 3) Run and submit Directional Survey from TD to base of surface casing.

SB5OUT1.TXT

LOCATION: SE1/4 OF SE1/4 OF SEC. 1, T.1N., R.69W. (874 SSL, 1096 ESL)

Ground Elevation: 4980

Number of Acres: 319

AQUIFER	ELEVATION		NET SAND	DEPTH TO		ANNUAL APPROP A-F	STATUS
	BOT.	TOP		BOT.	TOP		
UPPER DAWSON	----	----	----	----	----	----	----
LOWER DAWSON	----	----	----	----	----	----	----
DENVER	----	----	----	----	----	----	----
UPPER ARAPAHOE	----	----	----	----	----	----	----
LOWER ARAPAHOE	----	----	----	----	----	----	----
LARAMIE-FOX HILLS	----	----	----	----	----	----	----



note: E indicates location is at aquifer boundary and values may be more approximate.

Data for the LARAMIE FOX-HILLS may be missing or approximate and should be checked against DENVER BASIN ATLAS NO. 4

SURFACE CASING CHECK

Well Name BAILEY 8-8-1

New Drill Refiling Deepen Re-Enter Recomplete and Operate Plug and Abandon Casing Repair

SB5 Base of Fox Hills —

Cheyenne Basin Map Base of Fox Hills —

Fox Hills Protection Area 5% Rule .05(8467) = 423

Deepest Water Well w/in One Mile 495 + 50

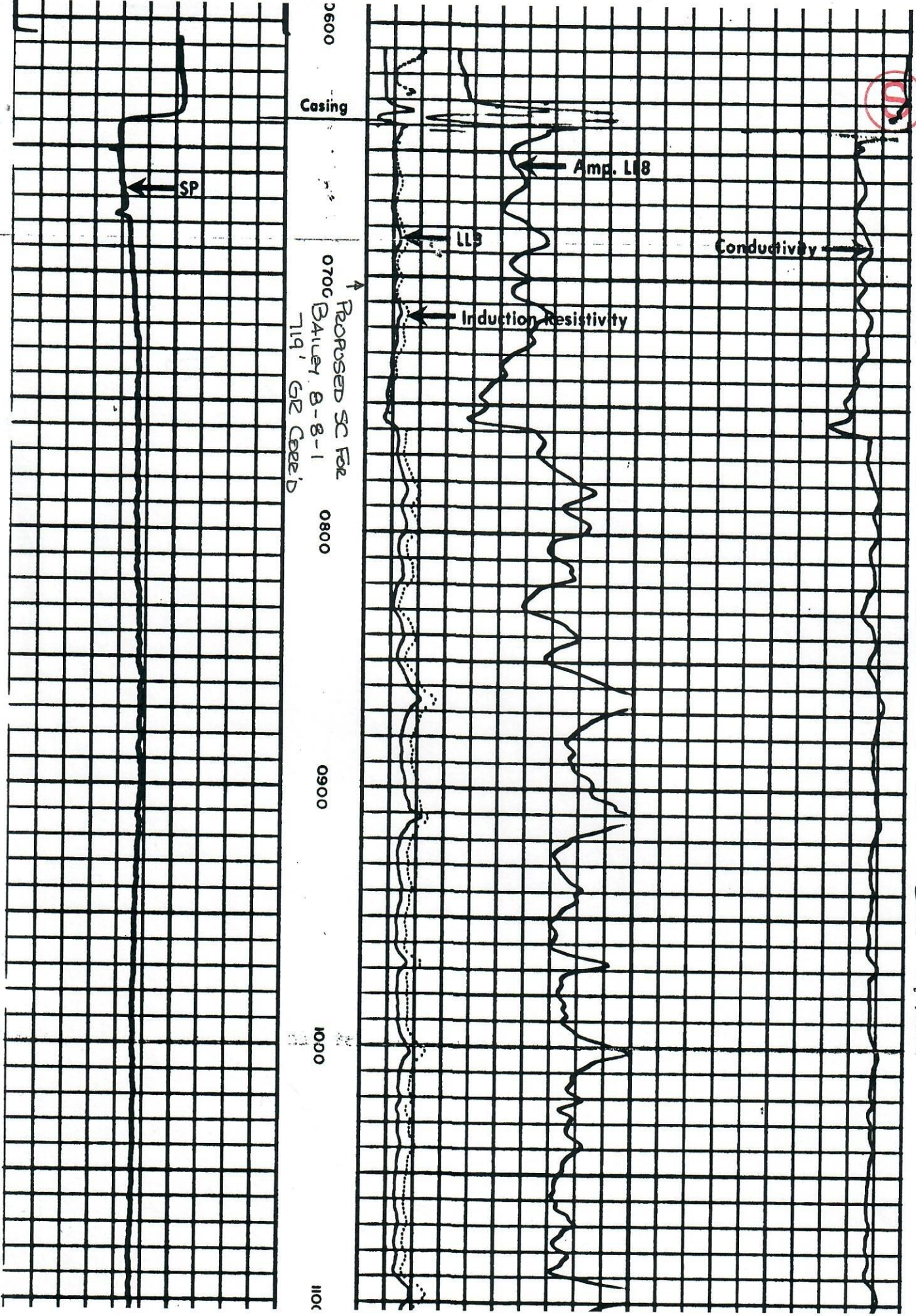
Operator-Proposed Surface Casing Depth 719' DB 5/10/07

Actual Surface Casing Depth _____

Change Permit Surface Casing Depth from _____ to _____

OK on this well's or offset well's induction log at 704

Bailey Unit No. 1 013 06021 SESW 1 10 GRW GR 4965





Selected Items Report

Oil and Gas Wells Selected

Filter Results by Formation Include JSND JSXSN SNSD Filter

WELL DESCRIPTION	LOCATION	WELL INFORMATION		
05-123-09764, BEARDEN 1 ENCANA OIL & GAS (USA) INC	NESW 6 1N -68W (6)	Sidetrack	TD	Formation Status
		00	8250 JSND	AB
		00	8250 JSXSN	CM
		00	8250 SNSD	PR
		00	8250 SUSX	PR
		00	8250 SX-SN	CM

Facilities Selected

FACILITY DESCRIPTION	LOCATION	PIT INFORMATION		
		Type	Unlined	Status

Water Wells Selected From Map

Filter Results by Depth Greater than 230

WELL DESCRIPTION	LOCATION	WELL INFORMATION			
		Depth	Top Perf	Bottom Perf	Aquifer
Receipt=0428286, Permit=0209646-- LOVE ROBERT R	NESW 6 1N-68W	495	265	475	KLF
Receipt=0379587, Permit=0059561--A DURAN ANDREW	SWSW 6 1N-68W	240	70	230	GW
Receipt=9009042, Permit=0011185-- BROWN BOB	SWNW 1 1N-69W	250	0	0	GW
Receipt=9009043, Permit=0011186-- BROWN BOB	SWNW 1 1N-69W	248	0	0	GW
Receipt=9009071, Permit=0011518-- BROWN BOB	SWNW 1 1N-69W	240	0	0	GW
Receipt=9009123, Permit=0012081-- BROWN BOB	SWNW 1 1N-69W	240	0	0	GW
Receipt=9009124, Permit=0012082-- BROWN BOB	SWNW 1 1N-69W	240	0	0	GW
Receipt=9009164, Permit=0012733-- WENG KENNETH	SWNW 1 1N-69W	330	0	0	GW
Receipt=9009173, Permit=0012812-- BROWN S O	SWNW 1 1N-69W	265	0	0	GW
Receipt=9009240, Permit=0013459-- WAGNER MILTON	SWNW 1 1N-69W	245	0	0	GW

Well name and number:

Bailey 8-8-1

S

Survey Plat Check list

number	Item	
	8-1/2" x 11" scaled drawing of the entire section	✓
1	Dimensions on adjacent exterior section lines sufficient to completely describe the quarter section containing the proposed well shall be indicated	✓
1a	If dimensions are not field measured, state how the dimensions were determined	✓
2	The latitude and longitude of the proposed well location shall be provided on the drawing with a minimum of five (5) decimal places of accuracy and precision using the North American Datum (NAD) of 1983 (e.g.; latitude 37.12345 N, longitude 104.45632 W). If GPS technology is utilized to determine the latitude and longitude, all GPS data shall meet the requirements set forth in Rule 215. a. through h.	✓
2a	PDOP value <7 if GPS used	✓
2b	5 decimal places of accuracy & precision	✓
2c	NAD 1983	✓
3	For directional drilling into an adjacent section, that section shall also be shown on the location plat and dimensions on exterior section lines sufficient to completely describe the quarter section containing the proposed productive interval and bottom hole location shall be indicated. (Additional requirements related to directional drilling are found in Rule 321.)	<i>WA</i>
4	For irregular, partial or truncated sections, dimensions will be furnished to completely describe the <u>entire</u> section containing the proposed well.	<i>WA</i>
5	The field-measured distances from the nearer north/south and nearer east/west section lines shall be measured at ninety (90) degrees from said section lines to the well location and referenced on the plat. For unsurveyed land grants and other areas where an official public land survey system does not exist, the well locations shall be spotted as footages on a protracted section plat using Global Positioning System (GPS) technology and reported as latitude and longitude in accordance with Rule 215.	✓
6	A map legend	✓
7	A North Arrow	✓
8	A scale expressed as an equivalent (e.g. 1" = 1000').	✓
9	A bar scale.	✓
10	The ground elevation.	✓
11	The basis of the elevation (how it was calculated or its source).	✓
12	The basis of bearing or interior angles used.	✓
13	Complete description of monuments and/or collateral evidence found; all aliquot corners used shall be described.	✓
14	The legal land description by section, township, range, principal meridian, baseline and county.	✓
15	Operator name	✓
16	Well name and number	✓
17	Date of completion of scaled drawing	✓
18	All visible improvements within two hundred (200) feet of a wellhead (or, in a high density area within four hundred (400) feet of a wellhead) shall be physically tied in and plotted on the well location plat or on an addendum, with a horizontal distance and approximate bearing from the well location.	-
18a	Visible improvements shall include, but not be limited to, all buildings, publicly maintained roads and trails, major above ground utility lines, railroads, pipelines, mines, oil wells, gas wells, injection wells, water wells, visible plugged wells, sewers with manholes, standing bodies of water, and natural channels including permanent canals and ditches through which water flows.	-
18b	If there are no visible improvements within two hundred (200) feet of a wellhead (or in a high density area within four hundred (400) feet of a wellhead), it shall be so noted on the Permit-to-Drill, Form 2.	-
19	Surface use shall be described within the two hundred (200) foot radius of a wellhead (or in a high density area within the four hundred (400) foot radius of a wellhead).	-

The survey plat you submitted with your permit was found to be in ~~non~~-compliance with COGCC rule 303c. See above checklist. If a survey plat is not in compliance with rule 303c the operator will be notified and the permit will be placed on hold until an adequate replacement is supplied to the COGCC.

WA