



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

IN THE MATTER OF THE PROMULGATION AND) CAUSE NO. 191
ESTABLISHMENT OF FIELD RULES TO GOVERN)
OPERATIONS IN THE MAMM CREEK FIELD,) ORDER NO. 191-83
GARFIELD AND MESA COUNTIES, COLORADO)

REPORT OF THE COMMISSION

This cause came on for hearing before the Commission on January 13, 2011, in Suite 801, The Chancery Building, 1120 Lincoln Street, Denver, Colorado, for an order to establish new setback rules for certain lands in the Hunter Mesa Unit and Middleton Creek Unit, federal exploratory units, located in Townships 7 and 8 North, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

FINDINGS

The Commission finds as follows:

1. EnCana Oil and Gas Inc. ("EnCana"), as applicant herein, is an interested party in the subject matter of the above-referenced hearing.
2. Due notice of the time, place and purpose of the hearing has been given in all respects as required by law.
3. The Commission has jurisdiction over the subject matter embraced in said Notice, and of the parties interested therein, and jurisdiction to promulgate the hereinafter prescribed order pursuant to the Oil and Gas Conservation Act.
4. On or about November 30, 1993, the Bureau of Land Management ("BLM") approved the establishment of the Hunter Mesa Unit, a federal exploratory unit, for certain lands, including the below-listed lands ("Application Lands"):

Township 7 South, Range 93 West, 6th P.M.

- Section 9: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
- Section 14: S $\frac{1}{2}$ SW $\frac{1}{4}$
- Section 15: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$
- Section 16: NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$
- Section 22: N $\frac{1}{2}$ NE $\frac{1}{4}$
- Section 23: NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
- Section 24: NW $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$
- Section 25: W $\frac{1}{2}$
- Section 26: NE $\frac{1}{4}$ NE $\frac{1}{4}$
- Section 36: Lots 1 through 3, W $\frac{1}{2}$ of Tract 68 (formerly designated as the NE $\frac{1}{4}$ NW $\frac{1}{4}$)

Township 8 South, Range 93 West, 6th P.M.

- Section 1: Lots 7 through 9, 17, 19 through 21, Tracts 37, 38 (f/d/a Lot 2), 45, and 70, SW $\frac{1}{4}$ NW $\frac{1}{4}$
- Section 11: Tracts 48 and 50
- Section 12: Tracts 37 and 50
- Section 13: Tract 50
- Section 14: A portion of Lots 2 through 4, Tracts 48 and 50

Township 8 South, Range 93 West, 6th P.M.

- Section 14: A portion of Lots 2 through 4, Tracts 48 and 50

5. On or about August 24, 2005, the BLM approved the establishment of the Middleton Creek Unit, a federal exploratory unit, for certain lands, including the below-listed lands (additional "Application Lands"):

Township 7 South, Range 93 West, 6th P.M.

- Section 16: SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$
- Section 21: NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$

Section 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 23: W $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
Section 26: S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
Section 27: NE $\frac{1}{4}$ NE $\frac{1}{4}$
Section 35: Lots 1 and 2, N $\frac{1}{2}$ NE $\frac{1}{4}$

Township 8 South, Range 93 West, 6th P.M.

Section 1: Lot 16 and Tract 46
Section 2: Lots 5, 6, 11, 12, 15, and 16, Tract 44, S $\frac{1}{2}$ NE $\frac{1}{4}$
Section 10: Lots 3 and 4
Section 11: Tracts 46 through 48
Section 12: Tracts 45, 46, and 49
Section 14: A portion of Lot 1, Tract 48
Section 15: Lot 1, a portion of Lot 2

Township 8 South, Range 93 West, 6th P.M.

Section 14: A portion of Lot 1, SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 15: A portion of Lot 2, E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 23: N $\frac{1}{2}$ N $\frac{1}{2}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$

6. Under Commission Rule 318.d.(3), the well location rules otherwise applicable under Rule 318. do not apply to unit operations approved by federal authorities, except that no well in excess of 2,500 feet in depth shall be located less than 600 feet from the exterior or interior (if there be one) boundary of the unit area, unless otherwise authorized by the order of the Commission. The Application Lands are subject to this Rule for the Williams Fork and Iles Formations.

7. On October 8, 2010, EnCana, by its attorneys, filed with the Commission a verified application ("Application") for an order to establish new setback rules for the drilling of Williams Fork and Iles Formation wells in the Application Lands.

All future Williams Fork and Iles Formation wells to be drilled under this application should be located downhole anywhere upon the Application Lands but no closer than 100 feet from the unit boundaries without exception being granted by the Director of the Commission. It is provided however that in cases where the lands abut or corner lands in respect of which the Commission has not at the time of drilling permit application granted the right to drill 10-acre density Williams Fork and Iles Formation wells, the well should be located downhole no closer than 200 feet from the unit boundaries so abutting or cornering such lands without exception being granted by the Director of the Commission.

That, except as previously authorized by order of the Commission, wells to be drilled under this order should be drilled from the surface either vertically or directionally from no more than one pad located on a given quarter-quarter section (or lots or parcels approximately equivalent thereto) and that Iles Formation wells shall be drilled and completed only in association with the drilling and completing of wells in the Williams Fork Formation, unless exception is granted by the Commission pursuant to application made for such exception.

8. On January 3, 2011, EnCana, by its attorney, filed with the Commission a written request to approve the application based on the merits of the verified application and the supporting exhibits as is provided for by Rule 511. Sworn written testimony and exhibits were submitted in support of the application.

9. Testimony and exhibits submitted in support of the Application by Danielle Scott, Landman for EnCana, showed that Encana holds 100% leasehold interest in the Application Lands and operates both the Hunter Mesa Federal and the Middleton Creek Federal Units.

10. Testimony and exhibits submitted in support of the Application by Thomas Wiles, Geologist for EnCana, showed that by conforming to the current 600 foot unit boundary setbacks for the Williams Fork and Iles Formation wells between the Hunter Mesa Unit and the Middleton Creek Unit, there will be considerable waste of gas and associated hydrocarbons. Additional testimony showed that the geological model for the Williams Fork and Iles Formations underlying the Application Lands is well understood, and original gas-in-place calculations for the lands is between 100 and 125 BCF per section for the Williams Fork Formation, which indicates that the formation can be efficiently drained by 10-acre density drilling. Further testimony indicated that, if

the 600 foot setbacks are not reduced to 100 feet, up to 42 drilling locations would not be drilled along the shared boundaries of the Hunter Mesa and Middleton Creek Units leaving approximately 420 acres of undrained reservoir.

11. Testimony and exhibits submitted in support of the Application by Lafell T. Loveland, Reservoir Engineer for EnCana, showed that by adhering to the current 600 foot unit boundary setbacks for the Williams Fork and Iles Formations wells between the Hunter Mesa Unit and the Middleton Creek Unit, there will be 42 stranded locations and a waste of 24.6 BCF gas, which would be recoverable if the Commission approves 100 foot setbacks for Williams Fork and Iles Formation wells drilled where the Hunter Mesa and Middleton Creek Units share the same boundaries.

12. The above-referenced testimony and exhibits show that the granting of the Application will allow more efficient reservoir drainage, will prevent waste, will assure a greater ultimate recovery of oil/gas, and will not violate correlative rights.

13. EnCana agreed to be bound by oral order of the Commission.

14. Based on the facts stated in the verified application, having received no protests, and based on the Hearing Officer review of the application under Rule 511., the Commission should enter an order establishing new setback rules for certain lands in the Hunter Mesa Unit and Middleton Creek Unit, federal exploratory units, located in Townships 7 and 8 North, Range 93 West, 6th P.M., for the production of gas and associated hydrocarbons from the Williams Fork and Iles Formations.

ORDER

NOW, THEREFORE IT IS ORDERED, that new setback rules are hereby established for the drilling of Williams Fork and Iles Formation wells in the below-listed lands:

Hunter Mesa Unit

Township 7 South, Range 93 West, 6th P.M.

- Section 9: S $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
- Section 14: S $\frac{1}{2}$ SW $\frac{1}{4}$
- Section 15: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$
- Section 16: NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$
- Section 22: N $\frac{1}{2}$ NE $\frac{1}{4}$
- Section 23: NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
- Section 24: NW $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$
- Section 25: W $\frac{1}{2}$
- Section 26: NE $\frac{1}{4}$ NE $\frac{1}{4}$
- Section 36: Lots 1 through 3, W $\frac{1}{2}$ of Tract 68 (formerly designated as the NE $\frac{1}{4}$ NW $\frac{1}{4}$)

Township 8 South, Range 93 West, 6th P.M.

- Section 1: Lots 7 through 9, 17, 19 through 21, Tracts 37, 38 (f/d/a Lot 2), 45, and 70, SW $\frac{1}{4}$ NW $\frac{1}{4}$
- Section 11: Tracts 48 and 50
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- Section 13: Tract 50
- Section 14: A portion of Lots 2 through 4, Tracts 48 and 50

Township 8 South, Range 93 West, 6th P.M.

- Section 14: A portion of Lots 2 through 4, Tracts 48 and 50

Middleton Creek Unit

Township 7 South, Range 93 West, 6th P.M.

- Section 16: SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$
- Section 21: NE $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$
- Section 22: S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$
- Section 23: W $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$
- Section 26: S $\frac{1}{2}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

Section 27: NE $\frac{1}{4}$ NE $\frac{1}{4}$
Section 35: Lots 1 and 2, N $\frac{1}{2}$ NE $\frac{1}{4}$

Township 8 South, Range 93 West, 6th P.M.

Section 1: Lot 16 and Tract 46
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Section 10: Lots 3 and 4
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Section 12: Tracts 45, 46, and 49
Section 14: A portion of Lot 1, Tract 48
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Township 8 South, Range 93 West, 6th P.M.

Section 14: A portion of Lot 1, SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Section 15: A portion of Lot 2, E $\frac{1}{2}$ SE $\frac{1}{4}$
Section 23: N $\frac{1}{2}$ N $\frac{1}{2}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$

All future Williams Fork and Iles Formation wells to be drilled under this application shall be located downhole anywhere upon the Application Lands but no closer than 100 feet from the unit boundaries without exception being granted by the Director of the Commission. It is provided however that in cases where the lands abut or corner lands in respect of which the Commission has not at the time of drilling permit application granted the right to drill 10-acre density Williams Fork and Iles Formation wells, the well shall be located downhole no closer than 200 feet from the unit boundaries so abutting or cornering such lands without exception being granted by the Director of the Commission.

That, except as previously authorized by order of the Commission, wells to be drilled under this order shall be drilled from the surface either vertically or directionally from no more than one pad located on a given quarter-quarter section (or lots or parcels approximately equivalent thereto) and that Iles Formation wells shall be drilled and completed only in association with the drilling and completing of wells in the Williams Fork Formation, unless exception is granted by the Commission pursuant to application made for such exception.

IT IS FURTHER ORDERED, that the provisions contained in the above order, shall become effective forthwith.

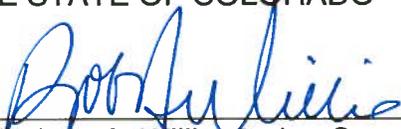
IT IS FURTHER ORDERED, that the Commission expressly reserves its right, after notice and hearing, to alter, amend or repeal any and/or all of the above orders.

IT IS FURTHER ORDERED, that under the State Administrative Procedure Act the Commission considers this order to be final agency action for purposes of judicial review within thirty (30) days after the date this order is mailed by the Commission.

IT IS FURTHER ORDERED, that an application for reconsideration by the Commission of this order is not required prior to the filing for judicial review.

ENTERED this 2nd day of February 2011, as of January 13, 2011.

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By 
Robert A. Willis, Acting Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
February 2, 2011