

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 WORKING,)
UNLEASED AND/OR NONCONSENTING)
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 designated wellbore spacing units for the drilling of a well to produce oil, gas, and associated hydrocarbons from the Codell, Niobrara and J Sand Formations located in Section 7, Township 4 North, Range 67 West, 6th P.M. Weld County, Colorado. 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; and is duly authorized to conduct business in the State of Colorado.

2. Applicant owns certain interests in the following lands:

Township 4 North, Range 67 West, 6th P.M.
Section 7: E $\frac{1}{2}$

Weld County, Colorado ("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 for 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 lands encompassing the wellbore spacing unit 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 and Niobrara 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 20-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 Spaur 24-7 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 involuntarily pool all interests not voluntarily pooled (including working interests and unleased mineral interests) in the Codell and Niobrara Formations underlying the following described 160-acre wellbore spacing unit:

Township 4 North, Range 67 West, 6th P.M.
Section 7: S½NE¼, N½SE¼

(referred to herein as the “160-acre Wellbore Spacing Unit”)

8. Applicant designated a 320-acre wellbore spacing unit, as described below, for the production of oil, gas, and associated hydrocarbons from the J-Sand Formation 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 320-acre wellbore spacing unit within the 20-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 Spaur 24-7 Well within the designated 320-acre wellbore spacing unit.

9. 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 involuntarily pool all interests not voluntarily pooled (including working interests and unleased mineral interests) in the J-Sand Formation underlying the following described 320-acre wellbore spacing unit:

Township 4 North, Range 67 West, 6th P.M.
Section 7: E½

(referred to herein as the “320-acre Wellbore Spacing Unit”)

10. Applicant directionally drilled the Spaur 24-7 Well (hereinafter the "Wellbore Spacing Unit Well") within the designated 160-acre Wellbore Spacing Unit and the 320-acre Wellbore Spacing Unit with a surface location in the SE¼NE¼ of Section 7, Township 4 North, Range 67 West, and a bottomhole location 2600' FNL, 1310' FEL of Section 7, Township 4 North, Range 67 West. The Wellbore Spacing Unit Well was spud on December 28, 2010. A Well Location Certificate for the Wellbore Spacing Unit Well is attached hereto.

11. 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 Wellbore Spacing Unit 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.

12. Applicant requests that the Commission's involuntary pooling order, and all costs associated with the Spaur 24-7 Well and this involuntary pooling, issued with respect to this Application be retroactive to the earliest date costs are incurred for the Spaur 24-7 Well as allowed by C.R.S. § 34-60-116(7), or the date of this Application, whichever is earlier.

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

WHEREFORE, Applicant respectfully requests that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing this Commission enter its order:

A. Pooling involuntarily all of the working interest owners listed on Exhibit A with whom Applicant has been unable to secure an agreement for the drilling of the Wellbore Spacing Unit Well for the Codell, Niobrara, and J-Sand formations and establishing that such working interest owners be treated as non-consenting owners under C.R.S. § 34-60-116 and made subject to the all of the terms, costs, and penalties provided for therein.

B. Pooling involuntarily all of the unleased mineral interest owners, if any, listed on Exhibit A with whom Applicant has been unable to secure a lease or an agreement for the drilling of the Wellbore Spacing Unit Well for the Codell, Niobrara, and J-Sand formations and that such owners be treated as non-consenting owners under C.R.S. § 34-60-116 and made subject to all of the terms, costs, and penalties provided for therein.

C. That all interest owners in the Wellbore Spacing Unit which are not voluntarily pooled in the Wellbore Spacing Unit be involuntarily pooled.

D. Establishing that the Commission's involuntary pooling order, and all costs associated with the Spaur 24-7 Well and this involuntary pooling, issued with respect to this Application be retroactive to the earliest date costs are incurred for the Spaur 24-7 Well, for all requested formations, as allowed by C.R.S. § 34-60-116(7), or the date of this Application, whichever is earlier.

E. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this ___ day of April, 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

Applicant's Address:
1099 18th Street, Suite 1800
Denver, Colorado 80202

VERIFICATION

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

David Verity, of lawful age, being first duly sworn upon oath, deposes and says that he is Senior Staff Landman 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.

Senior Staff Landman
Kerr-McGee Oil & Gas Onshore LP

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

Witness my hand and official seal.

[SEAL]

My commission expires: _____

Notary Public

EXHIBIT A
Interested Parties

Working Interest Owners:

Machii-Ross Petroleum Company (non-consenting)
2901 28th Street #205
Santa Monica, CA 90405

Royalty Owners:

Keto Colorado Enterprises LLC
12 Granison Rd.
Weston, MA 02493

Dorothy Faulker Wallace
1904 Pt Armigan Trail
Estes Park, CO 80517

Bernard and Elsie Huwa, JT
1001 43rd Avenue #39
Greeley, CO 80634

McCullis Resources Co., Inc
PO Box 3248
Littleton, CO 80161

George G. Vaught, Jr.
PO Box 13557
Denver, CO 80201

Great Western Railway of Colorado, LLC
50 S. Steele St. #374
Denver, CO 80209

Colorado Department of Transportation
15285 South Golden Road Building 47
Golden, CO 80401

Cattleman's Choice
Loomix Johnstown, LLC
PO Box 610
Johnstown, CO 80534

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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 May ____, 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 May ____ 2011.

Witness my hand and official seal.

My commission expires: _____.

Notary Public