

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE BETONNIE TSOSIE WASH UNIT, CREATION OF A NEW POOL FOR HORIZONTAL DEVELOPMENT WITHIN THE UNIT AREA, AND FOR ALLOWANCE OF 330 FOOT SETBACKS FROM THE EXTERIOR OF THE PROPOSED UNIT, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15211

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorneys, files this application with the Oil Conservation Division for an order (1) approving its Betonnie Tsosie Wash Unit; (2) creating a new pool for horizontal wells within the unit area; and (3) allowing for 330 foot setbacks from the exterior of the proposed Unit. In support of this application, Encana states:

1. The proposed Unit Area for the Betonnie Tsosie Wash Unit consists of 5,757 acres, more or less, of Federal and Indian Allotted lands situated in:

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM

Section 21:	All
Section 22:	All
Section 23:	All
Section 26:	All
Section 27:	All
Section 28:	All
Section 33:	All
Section 34:	All
Section 35:	All

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2. Encana is the designated operator under the Unit Agreement. The unitized interval includes all genetically related rocks from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of the Mesa Verde Group) to the stratigraphic equivalent of

the base of the Greenhorn Limestone as shown in the Ah des pi ah Navajo #1 well (API No. 30-045-20994) in Section 12, Township 23 North, Range 9 West, N.M.P.M..

3. The Unit Agreement will be approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

4. Applicant has received preliminary approval of the Unit Agreement from the Bureau of Land Management and anticipates approval from the Federal Indian Minerals Office.

5. The entire Unit Area will be developed and operated as a single Participating Area.

6. Pursuant to 19.15.20.14 NMAC, after notice and hearing, the Division may approve the combining of contiguous developed proration units into a unitized area.

7. The Unit Area is currently subject to the Special Rules and Regulations for the Basin Mancos Gas Pool (Pool Code 97232) adopted in 2008 under Division Order R-12984 and the Alamito Gallup Oil Pool (Pool Code 1039).

8. The Alamito Gallup Oil Pool is subject to Statewide Rule 19.15.15.9 which requires wells to be located no closer than 330 feet to the outer boundary of a spacing unit, or in this case the outer boundary of the Unit Area.

9. Rule C of the Special Rules for the Basin Mancos Gas Pool require wells to be located no closer than 660 feet to the outer boundary of a spacing unit, or in this case the outer boundary of the Unit Area.

10. In order to allow for the most efficient horizontal well development pattern, and to effectively drain the reserves in the unitized formation underlying the Unit Area, Encana requests that the Division create a new pool for horizontal development within the Betonnie Tsosie Wash Unit that covers the unitized interval and allows for 330 foot setbacks.

11. Notice of this Application will be provided to the affected parties in the spacing units offsetting the proposed Unit Area, as well as the working interest owners and Indian Allottees within the unitized area.

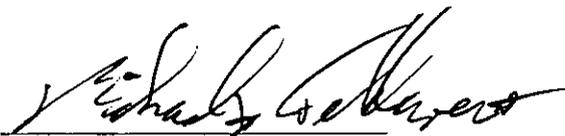
12. Encana will also cause notice of this Application to be published in a local newspaper of general circulation in San Juan County, New Mexico.

13. Approval of this Application and the creation of a new pool for horizontal development in the unitized area will be in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Encana Oil & Gas (USA) Inc. requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on October 2, 2014, and that after notice and hearing this Application be approved.

Respectfully submitted,

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ATTORNEYS FOR ENCANA OIL & GAS USA, INC.

Case No. 15211

Application Of Encana Oil & Gas (USA) Inc. For Approval Of The Betonnie Tsosie Wash Unit, Creation Of A New Pool For Horizontal Development Within The Unit Area, And For Allowance Of 330 Foot Setbacks From The Exterior Of The Proposed Unit, San Juan County, New Mexico. Applicant seeks approval of its Betonnie Tsosie Wash Unit consisting of 5,757 acres, more or less, of Federal and Indian Allotted lands situated in all of Sections 21-23, 26-28, and 33-35 of Township 23 North, Range 8 West, N.M.P.M., San Juan County, New Mexico. The unitized interval includes all genetically related rocks from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of the Mesa Verde Group) to the stratigraphic equivalent of the base of the Greenhorn Limestone as shown in the Ah des pi ah Navajo #1 well (API No. 30-045-20994) in Section 12, Township 23 North, Range 9 West, N.M.P.M. In addition, Applicant seeks an order creating a new pool for the unitized interval underlying the proposed Unit Area that will allow for 330 foot setbacks from the exterior of the proposed Unit. The subject acreage is located approximately 3.5 miles southwest of Lybrook, New Mexico.