

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. TO RESCIND ORDER ~~R-13929~~ AND TO APPROVE THE HUTTON CANYON FEDERAL EXPLORATORY UNIT AND TO AMEND ORDER R-13930 TO EXPAND THE BETONIE TSOSIE WASH FEDERAL EXPLORATORY UNIT AND THE CORRESPONDING BETONIE TSOSIE WASH UNIT HZ OIL POOL, RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO.

CASE NO. 15334

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorneys, files this application for an order (1) rescinding Division Order R-13929 issued in Case No. 15210 approving the Hutton Canyon Federal Exploratory Unit; (2) expanding the geographic area of the Betonnie Tsosie Wash Federal Exploratory Unit approved under Division Order R-13930 in Case No. 15211 to include the acreage currently subject to the Hutton Canyon Unit as well as additional acreage; and (3) expanding the corresponding Betonie Tsosie Wash Unit HZ Oil Pool created by Order R-13930 to allow horizontal wells to be located anywhere within the Unit so long as the completed interval is no closer than 330 feet from the outer boundary of the expanded Betonie Tsosie Wash Unit. In support of this application, Encana states:

1. Under Division Order R-13929, issued on November 10, 2014, the Division (a) approved the Hutton Canyon Federal Exploratory Unit in the Mancos formation consisting of 2,563 acres of Federal land in Section 18, T-23-N, R-7-W and Sections 11, 13 and 14 in T-23-N, R-8-W, in Rio Arriba and San Juan Counties, New Mexico, and (b) created a new oil pool for horizontal wells within the Unit Area designated the Hutton Canyon Unit Hz Oil Pool.

2. Under Division Order R-13930, also issued on November 10, 2014, the Division approved (a) the Betonie Tsosie Wash Federal Exploratory Unit in the Mancos formation

consisting of 5,757 acres of Federal and Indian Allotted lands in Sections 21-23, 26-28, 33-35 of T-23-N, R-8-W, San Juan County, New Mexico, and (b) a new oil pool for horizontal wells in the Unit Area designated the Betonie Tsosie Wash Unit Hz Oil Pool.

3. The Bureau of Land Management has not provided final approval of either the Hutton Canyon Unit or the Betonie Tsosie Wash Unit. As a result, under the terms of Division Orders R-13929 and R-13930, neither of these units or their corresponding horizontal oil pools are currently in effect.

4. Encana has met with the Bureau of Land Management and the Federal Indian Minerals Office since the Division hearings about expanding the Betonie Tsosie Wash Unit to include the acreage currently subject to the Hutton Canyon Unit, as well as additional Federal and Indian Allotted lands.

5. The proposed Unit Area for the expanded Betonie Tsosie Wash Unit now consists of 13,137 acres, more or less, comprised of the following Federal and Indian Allotted lands located in Rio Arriba and San Juan Counties in New Mexico:

Township 23 North, Range 7 West

Section 18: Lots 1, 2, 3, 4, E/2 W/2, E/2

Township 23 North, Range 8 West

Section 11: All
Section 13: All
Section 14: All
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

Township 22 North, Range 8 West

Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2
Section 4: Lots 1, 2, 3, 4, S/2 N/2, S/2
Section 5: Lots 1, 2, 3, 4, S/2 N/2, S/2
Section 6: Lots 1, 2, 6, 7, S/2 NE/4, E/2 SW/4, SE/4
Section 7: Lots 1, 2, 3, 4, E/2 W/2, E/2
Section 8: All
Section 9: N/2, SE/4
Section 10: All

6. The unitized interval for the expanded Betonie Tsosie Wash Unit remains the same as that identified in Division Order R-13930.

7. Encana will remain the designated operator under the revised Unit Agreement and the effective date of the expanded Betonie Tsosie Wash Unit will be October 1, 2014.

8. The revised Unit Agreement for the expanded Betonie Tsosie Wash Unit has been approved by a sufficient percentage of the interest owners within the proposed expanded Unit Area to provide effective control of unit operations.

9. Prior to the hearing, Encana expects to receive preliminary approval from the Bureau of Land Management and Federal Indian Minerals office of the Unit Agreement for the expanded Betonie Tsosie Wash Unit.

10. The entire expanded Betonie Tsosie Wash Unit Area will be developed and operated as a single Participating Area.

11. The acreage Encana seeks to add to the Betonie Tsosie Wash Unit Area is currently subject to the Alamito Gallup Pool (1039), the Basin Mancos Gas Pool (97232), and the Hutton Canyon Unit Hz Oil Pool. The Basin Mancos Gas Pool is subject to 660 foot setback requirements while the remaining pools are subject to 330 foot setback requirements.

12. To remain consistent with the existing unitized area, and to allow for the most efficient horizontal well development pattern, Encana requests that the Division expand the *Betonie Tsosie Wash Unit Hz Oil Pool* to include the additional acreage and thereby allow horizontal wells to be located anywhere within the expanded Unit Area so long as the completed interval remains at least 330 feet from the outer boundary of the *Betonie Tsosie Wash Unit*.

13. Notice of this Application has been provided to the affected parties in the spacing units offsetting the acreage to be added to the *Betonie Tsosie Wash Unit*, as well as the Indian allottee owners and working interest owners within the expanded Unit Area.

14. Approval of this Application 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 June 25, 2015, 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. 15334 **Application Of Encana Oil & Gas (USA) Inc. To Rescind Order R-13929 Approving The Hutton Canyon Federal Exploratory Unit And To Amend Order R-13930 To Expand The Betonie Tsosie Wash Federal Exploratory Unit And The Corresponding Betonie Tsosie Wash Unit Hz Oil Pool, Rio Arriba And San Juan Counties, New Mexico.**

Applicant seeks an order (1) rescinding Division Order R-13929 issued in Case No. 15210 approving the Hutton Canyon Federal Exploratory Unit; (2) expanding the geographic area of the Betonie Tsosie Wash Federal Exploratory Unit approved under Division Order R-13930 in Case No. 15211 to include the acreage currently subject to the Hutton Canyon Unit as well as additional acreage; and (3) expanding the corresponding Betonie Tsosie Wash Unit HZ Oil Pool created by Order R-13930 to allow horizontal wells to be located anywhere within the expanded Unit so long as the completed interval is no closer than 330 feet from the outer boundary of the expanded Betonie Tsosie Wash Unit. The proposed expanded Unit Area will consist of approximately 13,137 acres of Federal and Indian allotted lands located in in all or parts of the following sections in Rio Arriba and San Juan Counties, New Mexico:

Section 18 of T-23-N, R-7-W;

Sections 11-14, 21-23, 26-28, and 33-25 of T-23-N, R-8-W; and

Sections 3-10 of T-22-N, R-8-W.

The unitized interval includes all formations from one one-hundred (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 Formation. This acreage is located approximately 4 miles southwest of Nageezi, New Mexico.