

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

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APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER R-13856  
TO EXPAND THE NAGEEZI FEDERAL/STATE/ALLOTTED INDIAN/FEE  
EXPLORATORY UNIT AND THE CORRESPONDING NAGEEZI UNIT HZ  
OIL POOL, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15336

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorneys, files this application to amend Order R-13856 to (1) expand the geographic area of the Nageezi Federal/Allotted Indian/State/Fee Exploratory Unit by two sections of land, and (2) expand the corresponding Nageezi Unit Hz Oil Pool (47540) created by that Order 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 Nageezi Unit area. In support of this application, Encana states:

1. Under Division Order R-13856, issued on July 1, 2014 in Case No. 15153, the Division (a) approved the Nageezi Federal/Allotted Indian/State/Fee Exploratory Unit in the Mancos formation consisting of approximately 9,135 acres of federal, state, allotted Indian and fee lands in Sections 1-5, 9-11 of T-23-N, R-9-W and Sections 21-23, 26-28, 33-35 in T-24-N, R-9-W, in San Juan County, New Mexico, and (b) created a new oil pool for horizontal wells within the Unit Area designated the Nageezi Unit Hz Oil Pool (Pool Code 47540).

2. The Bureau of Land Management and the State Land Office provided final approval of the Nageezi Unit and under the terms of Order R-13856 and the Unit Agreement it became effective on July 22, 2014.

3. Encana has met with the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico State Land Office about expanding the Nageezi Unit to include two additional sections of Federal and State lands.

4. The proposed Unit Area for the expanded Nageezi Unit now consists of approximately 10,415 acres comprised of the following Federal, Indian Allotted, State and fee lands in San Juan County, New Mexico (\*denotes the added sections):

**Township 23 North, Range 9 West**

Section 1: Lots 1, , 3, 4, 5, 6, 7, 8, S/2 N/2, S/2  
Section 2: Lots 1, 2, 3, 4, S/2 N/2, S/2  
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, S/2 NE/4, SE/4  
Section 9: All  
Section 10: All  
Section 11: NW/4

**Township 24 North, Range 9 West**

Section 21: S/2  
Section 22: S/2  
Section 23: S/2  
Section 25: All\*  
Section 26: All  
Section 27: All  
Section 28: All  
Section 33: All  
Section 34: All  
Section 35: All  
Section 36: All\*

5. The unitized interval for the expanded Nageezi Unit remains the same as that identified in Division Order R-13856.

6. Encana will remain the designated operator under the revised Unit Agreement and the effective date of the expanded Nageezi Unit will remain July 22, 2014.

7. The revised Unit Agreement for the expanded Nageezi 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.

8. Prior to the hearing, Encana expects to receive preliminary approval of the Unit Agreement for the expanded Nageezi Unit from the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico State Land Office.

9. The entire expanded Nageezi Unit area will be developed and operated as a single Participating Area.

10. The two sections of land Encana seeks to add to the unitized area are currently within the Basin Mancos Gas Pool (97232) which is subject to 660 foot setback requirements.

11. 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 Nageezi Unit Hz Oil Pool to include the additional unitized 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 Nageezi Unit.

12. Notice of this Application has been provided to the affected parties in the spacing units offsetting the acreage to be added to the Nageezi Unit, as well as the Indian Allottee owners and working interest owners within the expanded Unit Area.

13. 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. 15336 : Application Of Encana Oil & Gas (USA) Inc. To Amend Order R-13856 To Expand The Nageezi Federal/State/Allotted Indian/Fee Exploratory Unit And The Corresponding Nageezi Unit Hz Oil Pool, San Juan County, New Mexico.** Applicant seeks to amend Order R-13856 to (1) expand the geographic area of the Nageezi Federal/Allotted Indian/State/Fee Exploratory Unit by two sections of land, and (2) expand the corresponding Nageezi Unit Hz Oil Pool (47540) created by that Order 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 Nageezi Unit area. The proposed expanded Unit Area will consist of approximately 10,415 acres of Federal, Indian Allotted, State and fee lands located in all or parts of the following sections in San Juan County, New Mexico:

Sections 1-5, 9-11 of T-23-N, R-9-W; and  
Sections 21-23, 25-28, 33-36 of T-24-N, R-9-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 1 mile southwest of Nageezi, New Mexico.