

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

**APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER R-14090 TO  
EXPAND THE CROW CANYON UNIT AND THE CORRESPONDING CROW  
CANYON UNIT; MANCOS POOL, SAN JUAN COUNTY, NEW MEXICO.**

**CASE NO. 15369 (re-opened)**

**APPLICANT'S PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by Encana Oil & Gas (USA) Inc. ("Encana"), as required by NMAC 19.15.4.13.B.

**APPEARANCES**

**APPLICANT**

Encana Oil & Gas (USA) Inc.

**ATTORNEY**

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**STATEMENT OF THE CASE**

Encana Oil & Gas (USA) Inc. ("Encana"), seeks to amend Order R-14090 to (1) expand the geographic area of the Crow Canyon Unit by 6,391.80 acres of Federal and State land; and (2) expanding the corresponding Crow Canyon Unit; Mancos Pool 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 Crow Canyon Unit. This Unit and associated horizontal pool in the Mancos Formation was approved under Division Order R-14090 on December 3, 2015, in Case No. 15369. The Unit Area initially consisted of

approximately 7,212.26 acres of Federal, State, and Indian Allotted Lands in all or parts of Sections 4-5, 8-9, 16-17, 20-21, 27-30, and 34, Township 24 North, Range 8 West, NMPM, San Juan County, New Mexico. However, the Bureau of Land Management did not provide final approval of the Crow Canyon Unit and accordingly neither the Unit nor the corresponding horizontal oil pool is currently in effect.

Since the Division hearing in this matter, Encana has met with the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico State Land Office about expanding the Crow Canyon Unit to include additional Federal and State lands. The proposed expanded Unit Area will now consist of approximately 13,604.06 acres of Federal, State, and Indian Allotted lands located in all or parts of 3-5, 8-10, 15-17, 20-21, 27-30, and 34 of Township 24 North, Range 8 West, and Sections 25-26, 32-36, Township 25 North, Range 8 West, NMPM, San Juan County, New Mexico. The unitized interval will remain the same as that approved under Order R-14090, Encana will remain the designated operator under the revised Unit Agreement.

The acreage Encana seeks to add to the unitized area is currently within the Dufer's Point Gallup-Dakota Pool (19859), which is subject to the Special Rules and Regulations adopted in 1984 under Division Order R-7435. Rule 4 of the Special Rules for Dufer's Point Gallup-Dakota Pool requires wells to be located no closer than 330 feet to the outer boundary of the proration unit or quarter-quarter section line, nor nearer than 660 feet to the nearest well within the same pool. See R-7435. 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 Crow Canyon Unit; Mancos 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 Crow Canyon Unit.

Notice of this Application has been provided to the affected parties in the spacing units offsetting the acreage to be added to the Crow Canyon Unit, as well as the Indian Allottee owners and working interest owners within the expanded Unit Area. Encana expects to receive preliminary approval of the revised Unit Agreement from the Bureau of Land Management and the New Mexico State Land Office prior to the hearing in this matter. Encana has also met with the Oil Conservation Division on this matter.

#### **APPLICANT'S PROPOSED EVIDENCE**

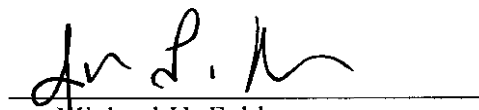
| <b>WITNESS<br/>Name and Expertise</b>             | <b>ESTIMATED<br/>TIME</b> | <b>EXHIBITS</b>    |
|---|---------------------------|--------------------|
| Mona Binion,<br>Petroleum Land Negotiator, Encana | Approx. 15 minutes        | Approx. 4 Exhibits |
| Erik P. Graven,<br>Petroleum Geologist, Encana    | Approx. 10 minutes        | Approx. 4 Exhibits |

#### **PROCEDURAL MATTERS**

None at this time.

Respectfully submitted,

HOLLAND & HART LLP



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