

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER R-14081 TO EXPAND THE NORTH ALAMITO UNIT AND THE CORRESPONDING NORTH ALAMITO UNIT; MANCOS POOL, SAN JUAN AND SANDOVAL COUNTIES, NEW MEXICO.

CASE NO. 15367 (re-opened)

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorneys, files this application to amend Order R-14081 to (1) expand the geographic area of the North Alamito Unit by 1,282.40 acres of Federal and Fee land; and (2) expanding the corresponding North Alamito 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 North Alamito Unit. In support of this application, Encana states:

1. Under Division Order R-14081, issued on November 20, 2015, in Case No. 15367, the Division approved the North Alamito Unit in the Mancos formation consisting of approximately 13,140.38 acres of Federal, State, and Indian Allotted lands situated in San Juan and Sandoval Counties, comprised of the following acreage:

TOWNSHIP 23 NORTH, RANGE 7 WEST, SANDOVAL COUNTY

Section 19:	All
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	All
Section 25:	W/2 and SE/4
Section 26:	All

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Section 27: All
Section 28: All
Section 29: All
Section 30: All
Section 31: All
Section 32: All
Section 33: All
Section 34: All
Section 35: NW/4

TOWNSHIP 23 NORTH, RANGE 8 WEST, SAN JUAN COUNTY

Section 25: All
Section 36: All

TOWNSHIP 22 NORTH, RANGE 7 WEST, SANDOVAL COUNTY

Section 3: N/2
Section 4: N/2
Section 5: N/2, SW/4
Section 6: All
Section 7: N/2
Section 8: NW/4

2. Division Order R-14081 also created a new pool for horizontal wells within the Unit Area designate the North Alamito Unit; Mancos Pool.

3. Encana has met with the Bureau of Land Management about expanding the North Alamito Unit to include approximately 1,282.40 acres of additional Federal and Fee acreage.

4. The proposed Unit Area now consists of approximately 14,422.78 acres comprised of the following Federal, Indian Allotted, State, and Fee lands in San Juan and Sandoval Counties, New Mexico:

TOWNSHIP 23 NORTH, RANGE 7 WEST, SANDOVAL COUNTY

Section 19: All
Section 20: All
Section 21: All
Section 22: All
Section 23: All
Section 25: All

Section 26: All
Section 27: All
Section 28: All
Section 29: All
Section 30: All
Section 31: All
Section 32: All
Section 33: All
Section 34: All
Section 35: N/2

TOWNSHIP 23 NORTH, RANGE 8 WEST, SAN JUAN COUNTY

Section 25: All
Section 36: All

TOWNSHIP 22 NORTH, RANGE 7 WEST, SANDOVAL COUNTY

Section 3: N/2
Section 4: N/2
Section 5: N/2, SW/4
Section 6: All
Section 7: N/2
Section 8: NW/4

TOWNSHIP 22 NORTH, RANGE 8 WEST, SAN JUAN COUNTY

Section 1: All
Section 12: N/2

5. The unitized interval for the expanded North Alamito Unit remains the same as identified in Division Order R-14081.

6. Encana will remain the designated operator under the revised Unit Agreement and the effective date of the expanded North Alamito Unit will remain the same as designated in R-14081.

7. The revised Unit Agreement for the expanded North Alamito 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 North Alamito Unit from the Bureau of Land Management and the New Mexico State Land Office. Encana will also meet with representatives from the Oil Conservation Division and the Federal Indian Minerals Office.

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

10. The additional acreage Encana seeks to add to the unitized area is currently within the Basin Mancos Gas Pool (97232), which is subject to the Special Rules and Regulations adopted in 2008 under Division Order R-12984, as well as the Lybrook Gallup Oil Pool (42289) and the Alamito Gallup Oil Pool (1039). The Lybrook Gallup Oil Pool and the Alamito Gallup Oil Pool are both subject to Statewide Rule 19.15.15.9 which requires wells to be located no closer than 330 feet from the outer boundary of a spacing unit, or in this case the outer boundary of the Unit Area. Rule C of the Special Rules for the Basin Mancos Gas Pool requires 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.

11. To remain consistent with the existing unitized area, and to allow for the most efficient horizontal well development pattern, Encana request that the Division expand the North Alamito Unit; Mancos Pool to include the 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 North Alamito Unit.

12. Notice of this Application will be provided to the affected parties in the spacing units offsetting the acreage to be added to the North Alamito Unit, as well as the Indian Allottee owners, working interest owners, and overriding royalty interest owners within the Unit Area.

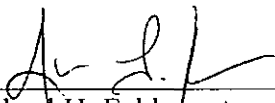
13. Encana will also cause notice of this Application to be published in a local newspaper of general circulation in both San Juan County and Sandoval County, New Mexico.

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 9, 2016, 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. 15367 (re-opened): Application Of Encana Oil & Gas (USA) Inc. To Amend Order Order R-14081 To Expand The North Alamito Unit And The Corresponding North Alamito Unit; Mancos Pool, Sandoval and San Juan Counties, New Mexico. Applicant seeks to amend Order R-14081 to (1) expand the geographic area of the North Alamito Unit by 1,282.40 of Federal and Fee land; and (2) expand the corresponding North Alamito 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 North Alamito Unit area. The proposed expanded Unit Area will consist of approximately 14,422.78 acres of Federal, Indian Allotted, State and Fee lands located in all or parts of the following sections in Sandoval and San Juan Counties, New Mexico:

Sections 3-8 of T-22-N, R-7-W; Sections 1 and 12, T-22-N, R-8-W; Sections 19-23, 25-35, T-23-N, R-7-W; and Sections 25 and 36, T-23-N, R-8-W.

The unitized interval is 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 Lybrook H36-2307 01H Well (API No. 30-043-21117) in Section 36, Township 23 North, Range 7 West, N.M.P.M. The subject acreage is located approximately 1 mile south of Lybrook, New Mexico.