

**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)

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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INTERESTED PARTY

WPX Energy Production, LLC

ATTORNEY

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STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. (“Encana”), seeks 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. This Unit and associated horizontal pool in the Mancos Formation was approved under Division Order R-14081, issued on November 20, 2015, in Case No. 15367. The Unit Area initially consisted of approximately 13,10.38 acres of Federal, State, and Indian Allotted Lands in all or parts of Sections 19-23, 25-35, Township 23 North, Range 7 West, Sections 3-8, Township 22 North, Range 7 West, Sandoval County, and Sections 25 and 36, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico. However, the Bureau of Land Management did not provide final approval of the North Alamito 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 1,282.40 acres of additional Federal and Fee acreage. The proposed Unit Area now consists of approximately 14,422.78 acres comprised of the following Federal, Indian Allotted, State, and Fee lands located in all or parts of Sections 3-8, Township 22 North, Range 7 West, Sections 1 and 12, Township 22 North, Range 8 West, San Juan County, Sections 19-35, Township 23 North, Range 7 West, and Sections 25 and 36, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico. The unitized interval will remain the same as that

approved under Order R-14081, Encana will remain the designated operator under the revised Unit Agreement.

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. 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 North Alamito Unit.

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. Encana expects to receive preliminary or conditional 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

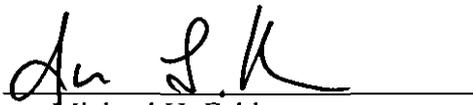
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mona Binion, Petroleum Land Negotiator, Encana	Approx. 15 minutes	Approx. 4 Exhibits
Erik P. Graven, Petroleum Geologist, Encana	Approx. 10 minutes	Approx. 4 Exhibits

PROCEDURAL MATTERS

Encana recognizes that the proposed acreage in Sections 1 and 12, Township 22 North, Range 8 West, NMPM, San Juan County is currently included in WPX Energy Production, LLC's West Alamito Unit, pursuant to Division Order R-15300. Encana and WPX are working together to resolve the issue of overlapping acreage.

Respectfully submitted,

HOLLAND & HART LLP



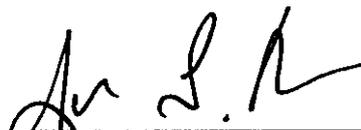
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ATTORNEYS FOR ENCANA OIL & GAS (USA) INC.

CERTIFICATE OF SERVICE

The hereby certify that on June 2, 2016, I served a copy of the foregoing document to the following counsel of record via electronic mail:

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