

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. TO CONTRACT THE HORIZONTAL LIMITS OF THE NAGEEZI-GALLUP POOL (47540) IN THE MANCOS FORMATION BY EXCLUDING THE W/2 OF SECTION 10, TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15539

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 an order removing the W/2 of Section 10, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico, from the horizontal limits of the Nageezi-Gallup Pool (47540). As set forth in Division Order R-14195, entered on July 28, 2016, in Case No. 15416, the E/2 of Section 10 is located within the Basin Mancos Gas Pool (97232) created by Division Order R-12984, which requires 320-acre spacing units and 660 foot setbacks from the outer boundary of the spacing unit. The W/2 of Section 10 is in the Nageezi Gallup Pool (47540) which is an unlisted pool under R-12984 and subject to the

Division's Statewide Rules for oil wells, which provide for 40-acre spacing units and 330 foot setbacks from the outer boundary of the spacing units. *See* Order R-14195, ¶ (3) and ¶ (4). Section 10 "awkwardly straddle[s]" two pools, one of which is considered a gas pool and the other an oil pool with differing spacing requirements. *Id.* at ¶ (10).

Encana seeks to contract the W/2 of Section 10 from the Nageezi-Gallup Pool, which will result in the acreage being "automatically" placed in the Basin Mancos Gas Pool per Division Order R-12984, which allows for 320-acre spacing units. *Id.* at ¶ (13). Once Section 10 is entirely within the Basin Mancos Gas Pool, Encana will be free to "to form a project area within the Basin Manos Gas Pool consisting of two standard gas spacing units and drill wells in the direction and density as allowed by well performance." *Id.* at ¶ (13). This will allow Encana to efficiently and effectively orient its horizontal wells and remain within the requirements of the Division rules.

APPLICANT'S PROPOSED EVIDENCE

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

PROCEDURAL MATTERS

This case will be presented by affidavit.

Respectfully submitted,

HOLLAND & HART LLP



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