

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15367
ORDER NO. R-14081-A**

**APPLICATION OF ENCANA OIL AND GAS (USA) INC. TO AMEND ORDER
NO. R-14081 TO EXPAND THE NORTH ALAMITO UNIT AND THE
CORRESPONDING NORTH ALAMITO UNIT; MANCOS POOL, SANDOVAL
AND SAN JUAN COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 9, 2016, at Santa Fe, New Mexico, before Examiner Scott Dawson, and before Examiner William V. Jones on August 18, 2016.

NOW, on this 2nd day of September, 2016, the Division Director, having considered the testimony, the record and the recommendations of Examiner Dawson,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Encana Oil & Gas (USA) Inc. ("Encana") has made application to amend Division Order No. R-14081 to expand the boundaries of the North Alamito Canyon Unit (the "Unit"), and corresponding pool, the Alamito Unit; Mancos, North Pool (pool code 98174).

(3) By Division Order No. R-14081 issued on October 29, 2015 in Case No. 15367, the Division approved the North Alamito Unit in the Mancos formation comprising 13,140.38 acres, more or less, of Federal, State, and Navajo Allotted lands, and established the Alamito Unit; Mancos, North Pool.

(4) Under the terms of Order No. R-14081, the North Alamito Unit has not become effective, since final approval was never obtained from the Bureau of Land Management ("BLM").

(5) Encana personnel have met with land owners and have proposed expansion of the Unit.

(6) The Unit Area for the expanded North Alamito Unit will consist of 14,262.78 acres, more or less, and will encompass the following Federal, State, Navajo Allotted, and Patented lands in Sandoval and San Juan Counties, New Mexico:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM, SANDOVAL COUNTY

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

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM, SANDOVAL COUNTY

Sections 19 through 23:	All
Sections 25 through 34:	All
Section 35:	NW/4

TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY

Section 1:	All
Section 12:	N/2

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY

Sections 25 and 36:	All
---------------------	-----

(7) Applicant appeared at the hearing and presented the following testimony:

- [a] The proposed Unit will expand to include a portion of the previously approved West Alamito Unit approved by Division Order No. R-14002, issued on July 22, 2015, consisting of Section 1 and the N/2 of Section 12, Township 22 North, Range 8 West, San Juan County ("the Acreage").
- [b] The Unit will also expand to include the NE/4 of Section 25, Township 23 North, Range 7 West, a fee tract.

- [c] Applicant's witness stated that Applicant received confirmation from the Bureau of Land Management ("BLM") that the West Alamito Unit created by Division Order No. R-14002, issued on July 22, 2015 has been terminated;
- [d] The New Mexico State Land Office did not provide preliminary approval of the Unit, as previously defined, because of unleased BLM acreage, which has now been eliminated from the proposed Unit expansion;
- [e] Applicant entered into an agreement with WPX Energy Production, LLC to acquire the Acreage;
- [f] The Alamito Unit; Mancos, North Pool will automatically expand to conform to the horizontal boundaries of the proposed North Alamito Unit.

(8) WPX Energy Production, LLC entered an appearance through counsel and did not oppose granting of this application.

The Division concludes as follows:

(9) Except for changes to Exhibits A and B to the Unit Agreement, all other provisions of the Unit Agreement remain the same as prior to the expansion, including the Unitized Interval and the effective date. The effective date of this Unit is December 1, 2012. The only wells to be included as "Unit Wells" are those wells containing one or more laterals drilled, completed, or recompleted so the horizontal component of the completion interval extends at least 1000 feet in the objective formation. All existing and future vertical wells are excluded from this Unit.

(10) The resulting Unit Area includes 17 federal tracts comprising approximately 86 percent of the Unit. The state lands comprise approximately 6.5 percent of the expanded Unit. The Indian Allotted lands comprise 6.5 percent of the expanded Unit. The patented tracts comprise slightly less than one percent of the expanded Unit.

(11) Notice of this application was provided in the expanded Unit Area to all working interest owners, royalty interest owners, and overriding royalty interest owners. Notice was also provided to the affected persons in those lands surrounding the expanded Unit Area.

(12) Encana is in the process of obtaining signatures from working interest owners approving the revised Joint Operating Agreement that governs operations within the expanded Unit. The BLM has provided letters of preliminary approval of the expanded Unit.

(13) The geology of the Unitized Interval is continuous and extends across the expanded Unit. There are no faults, pinch-outs, or other geologic impediments that isolate lands within the Unit Area or would suggest creation of a separate pool.

(14) The Alamito Unit; Mancos, North Pool will overlie the existing Alamito-Gallup (O) Pool in the N/2 of Section 1, Township 22 North, Range 8 West. The boundaries of the Alamito-Gallup (O) Pool were presented in Hearing Order No. R-12984-B, Exhibit 3, issued on August 5, 2012.

(15) Order No. R-14081 provides that in the event of any expansion of the North Alamito Unit, the corresponding pool (the Alamito Unit; Mancos, North Pool) will automatically expand to conform to the expanded horizontal boundaries of the Unit. Likewise, Order No. R-14002 provides for automatic contraction or expansion of the Alamito Unit; Mancos, West Pool to conform to the boundaries of the West Alamito Unit. As a result, the boundaries of the Alamito Unit; Mancos, North Pool will conform to the new boundaries of the North Alamito Unit without further action by the Division.

(16) The application to amend Division Order No. R-14081 to expand the North Alamito Unit and the corresponding Alamito Unit; Mancos, North Pool should be approved.

(17) The ordering paragraphs in Division Order No. R-14081 should be vacated and replaced as detailed below.

IT IS THEREFORE ORDERED THAT:

(1) The application of Encana Oil & Gas (USA) Inc. to amend Division Order No. R-14081 to expand the geographic area of the North Alamito Unit and expand the corresponding Alamito Unit; Mancos, North Pool to the bounds of the new Unit boundaries is hereby approved.

(2) All ordering paragraphs of Order No. R-14081 are hereby vacated and replaced with the following.

(3) The North Alamito Unit shall comprise 14,262.78 acres, more or less, of Federal, State, Patented, and Navajo Allotted lands in San Juan and Sandoval Counties, New Mexico, described as follows:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM, SANDOVAL COUNTY

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

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM, SANDOVAL COUNTY

Sections 19 through 23:	All
Sections 25 through 34:	All
Section 35:	NW/4

TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY

Section 1:	All
Section 12:	N/2

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY

Sections 25 and 36:	All
---------------------	-----

(4) This order shall be effective on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the North Alamito Unit is obtained by Applicant from the BLM. The final approval letters by the BLM shall be provided to the Division.

(5) Encana Oil & Gas (USA) Inc. (OGRID 282327) is hereby designated the Unit operator.

(6) The Unitized Interval includes all formations from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of the Mesa Verde Group) as defined at a depth of approximately 4645 feet, to the stratigraphic equivalent of the base of the Greenhorn Limestone, as defined at a depth of approximately 6348 feet, both as shown on the log run December 17, 2011 on the Lybrook H36 2307 Well No. 1H (API 30-043-21117) located in Unit H, Section 36, Township 23 North, Range 7 West, NMPM, Sandoval County, New Mexico.

(7) Unit Wells shall be those wells allowed in the Unit Agreement.

(8) All existing and future wells within the horizontal limits of this Unit but not designated per the agreement as Unit Wells shall remain dedicated and subject to the requirements of existing pools or statewide rules.

(9) The Unit shall constitute a single Project Area for horizontal oil well development pursuant to Division Rule 19.15.16.7.L (2) NMAC; provided however, the Project Area shall be limited to Unit Wells.

(10) Applicant's request for Unit Wells to be dedicated to the Alamito Unit; Mancos, North Pool is hereby approved. The Aztec District office of the Division may expand or contract the Pool without notice or hearing if the boundaries of the Unit are altered. The vertical limits of this pool shall extend from the base of the Mesaverde Group to the base of the Greenhorn formation or top of the Graneros formation.

(11) Should a new pool for Mancos development be formed that encompasses the area of the North Alamito Unit, then the Alamito Unit; Mancos, North Pool will be abolished, and the North Alamito Unit Wells shall be incorporated into that new Mancos pool. In that event, the operator of the North Alamito Unit shall file the necessary forms with the Division to dedicate those wells to the new pool.

(12) The plan contained within the North Alamito Unit Agreement for the development and operation of the Unit is hereby approved in principle as a proper conservation measure. All plans of development for the North Alamito Unit shall be submitted annually to the Division for review.

(13) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit Area, the Unit operator shall file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(14) Applicant shall provide inter-well communication data within the Unit to the Aztec District office of the Division no later than 18 months after the effective date of this order.

(15) The horizontal boundaries of the Alamito Unit; Mancos, North Pool and the Alamito Unit; Mancos, West Pool shall conform to the revised Unit boundaries.

(16) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director