

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

**APPLICATION OF ENCANA OIL & GAS (USA) INC. TO RESCIND ORDER R-13929
APPROVING THE HUTTON CANYON FEDERAL EXPLORATORY UNIT AND TO
AMEND ORDER R-13930 TO EXPAND THE BETONIE TSOSIE WASH FEDERAL
EXPLORATORY UNIT AND THE CORRESPONDING BETONIE TSOSIE WASH
UNIT HZ OIL POOL, RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO.**

CASE NO. 15334

APPLICANT'S PRE-HEARING STATEMENT

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

APPEARANCES

APPLICANT

Encana Oil & Gas (USA) Inc.

ATTORNEY

Michael H. Feldewert
Jordan L. Kessler
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
jlkessler@hollandhart.com

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STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") seeks to (1) rescind Division Order R-13929 approving the Hutton Canyon Federal Exploratory Unit; (2) expand the geographic area of the Betonnie Tsosie Wash Federal Exploratory Unit approved under Division Order R-13930 to include the acreage currently subject to the Hutton Canyon Unit as well as additional acreage; and (3) expand the corresponding Betonie Tsosie Wash Unit HZ Oil Pool created by Order R-13930 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 Betonie Tsosie Wash Unit. The Hutton Canyon Unit and the corresponding horizontal oil pool was created under Division Order R-13929, issued on November 10, 2014. The Betonie Was Unit and the corresponding horizontal oil pool was created under Division Order R-13930, also issued on November 10, 2014. The Bureau of Land Management has not provided final approval of either the Hutton Canyon Unit or the Betonie Tsosie Wash Unit. As a result, under the terms of Division Orders R-13929 and R-13930, neither of these units or their corresponding horizontal oil pools are currently in effect.

Encana has met with the Bureau of Land Management and the Federal Indian Minerals Office since the Division hearings about expanding the Betonie Tsosie Wash Unit to include the acreage currently subject to the Hutton Canyon Unit, as well as additional Federal and Indian Allotted lands. The proposed Unit Area for the expanded Betonie Tsosie Wash Unit now consists of 13,137 acres, more or less, of Federal and Indian Allotted lands located in all or parts of the following sections in Rio Arriba and San Juan Counties in New Mexico:

Section 18 of T-23-N, R-7-W;
Sections 11-14, 21-23, 26-28, and 33-25 of T-23-N, R-8-W; and
Sections 3-10 of T-22-N, R-8-W

The unitized interval for the expanded Betonie Tsosie Wash Unit will remain the same at that approved under Order R-13930, Encana will remain the designated operator under the revised Unit Agreement, and the effective date of the expanded Unit will be October 1, 2014.

The acreage Encana seeks to add to the Betonie Tsosie Wash Unit Area is currently subject to the Alamito Gallup Pool (1039), the Basin Mancos Gas Pool (97232), and the Hutton Canyon Unit Hz Oil Pool. The Basin Mancos Gas Pool is subject to 660 foot setback requirements while the remaining pools are subject to 330 foot setback requirements. 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 Betonie Tsosie Wash Unit Hz Oil Pool to include the additional 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 Betonie Tsosie Wash Unit.

Notice of this Application has been provided to the affected parties in the spacing units offsetting the acreage to be added to the Betonie Tsosie Wash Unit, as well as the Indian allottee owners and working interest owners within the expanded Unit Area.

APPLICANT'S PROPOSED EVIDENCE

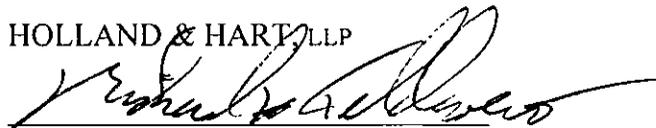
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mona Binion, Petroleum Land Negotiator, Encana	Approx. 15 minutes	Approx. 5 Exhibits
Erik P. Graven, Petroleum Geologist, Encana	Approx. 10 minutes	Approx. 5 Exhibits

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART, LLP



Michael H. Feldewert
Jordan L. Kessler
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ATTORNEYS FOR ENCANA OIL & GAS (USA) INC.