

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE SELPH CANYON UNIT AND FOR AN EXCEPTION TO THE SPECIAL POOL RULES FOR THE DUFER'S POINT GALLUP-DAKOTA POOL, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15472

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorneys, files this application with the Oil Conservation Division for an order (1) approving its Selph Canyon Unit; (2) granting an exception to the special rules governing the Dufer's Point Gallup-Dakota Pool (19859) to authorize no internal setbacks within the proposed unitized area. In support of this application, Encana states:

1. The proposed Unit Area for the Selph Canyon Unit consists of 7,696 acres, more or less, of Federal and State lands situated in:

TOWNSHIP 24 NORTH, RANGE 8 WEST, SAN JUAN COUNTY, N.M.P.M.

Section 3: Lots 1-4, S/2 N/2, S/2
Section 10: All
Section 15: All

TOWNSHIP 25 NORTH, RANGE 8 WEST, SAN JUAN COUNTY, N.M.P.M.

Section 25: All
Section 26: All
Section 27: All
Section 28: All
Section 32: All
Section 33: All
Section 34: All
Section 35: All
Section 36: All

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2. Encana is the designated operator under the Unit Agreement. The unitized interval is 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) to the stratigraphic equivalent of base of the Greenhorn Limestone (top of Graneros Shale) as shown in the Anabel-C #1 well (API # 30-045-25452), located in SW/4 SW/4, Section 34, Township 25 North, Range 8 West, NMPM, San Juan County, New Mexico

3. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

4. Applicant expects to receive preliminary approval of the Unit Agreement from the Bureau of Land Management and the New Mexico State Land Office. Applicant will also be in contact with the New Mexico Oil Conservation Division's District 3 Office regarding this application prior to the hearing date.

5. The entire Unit Area will be developed and operated as a single Participating Area.

6. Pursuant to 19.15.20.14 NMAC, after notice and hearing, the Division may approve the combining of contiguous developed proration units into a unitized area.

7. The Unit Area is currently subject to the Special Rules and Regulations for the Dufer's Point Gallup-Dakota (Pool Code 19859) adopted in 1984 under Division Order R-7435.

8. Rule 4 of the Special Rules for Dufer's Point Gallup-Dakota Pool requires wells to be located no closer than 330 feet to the outer boundary of the proration unit or quarter-quarter section line, nor nearer than 660 feet to the nearest well within the same pool. *See* R-7435.

9. In order to allow for the most efficient horizontal well development pattern, and to effectively drain the reserves in the unitized formation underlying the Unit Area, Encana seeks an exception to the Rule 4 of the Special Rules requiring that wells be located no nearer than 660

feet to the nearest well within the same pool. *See* R-7435. Encana seeks authority to drill and complete wells with no internal setbacks within the unitized area, provided that the producing interval for any such well will be located no closer than 330 feet from the outer boundary of the unitized area.

10. Notice of this Application will be provided to the affected parties, including the working interest owners and overriding royalty interest owners, within the proposed unitized area.

11. 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 March 31, 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. 12472

Application Of Encana Oil & Gas (USA) Inc. For Approval Of The Selph Canyon Unit, Creation Of A New Pool For Horizontal Development Within The Unit Area And For An Exception To The Special Pool Rules For The Dufer's Point Gallup-Dakota Pool, San Juan County, New Mexico. Applicant seeks approval of its Selph Canyon Unit consisting of 7,696 acres, more or less, of Federal and State lands situated in all or parts of Sections 3, 10, and 15 of Township 24 North, Range 8 West, and all or parts of Sections 28~~28~~ and 32-36 of Township 25 North, Range 8 West, N.M.P.M., San Juan County, New Mexico. The unitized interval is 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) to the stratigraphic equivalent of base of the Greenhorn Limestone (top of Graneros Shale) as shown in the Anabel-C #1 well (API # 30-045-25452), located in SW/4 SW/4, Section 34, T25N-R8W, San Juan County, New Mexico. In addition, Applicant seeks an exception to the special rules for the Dufer's Point Gallup-Dakota Pool, authorizing no internal setbacks within the proposed unit boundaries. The subject acreage is located approximately 7 miles northeast of Nageezi, New Mexico.