

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

**APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER R-14067 TO
EXPAND THE VENADO CANYON UNIT, SANDOVAL COUNTY, NEW MEXICO.**

CASE NO. 15337 (re-opened)

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorneys, files this application to amend Order R-14067 to expand the geographic area of the Venado Canyon Unit by 960.00 acres of Federal land . In support of this application, Encana states:

1. Under Division Order R-14067, issued on October 29, 2015, in Case No. 15337, the Division approved the Venado Canyon Unit in the Mancos formation consisting of approximately 4,320 acres of Federal and Fee lands situated in Sandoval County, comprised of the following acreage:

TOWNSHIP 22NORTH, RANGE 6 WEST, SANDOVAL COUNTY

Section 1:	S/2
Section 10:	NE/4 and S/2
Section 11:	All
Section 12:	All
Section 13:	All
Section 14:	All
Section 15:	SW/4 and N/2
Section 23:	W/2
Section 24:	NE/4

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2. Encana has met with the Bureau of Land Management about expanding the Venado Canyon Unit to include approximately 960.00 acres of additional leased and unleased Federal acreage.

4. The proposed Unit Area now consists of approximately 5,280.00 acres comprised of the following Federal and Fee lands in Sandoval County, New Mexico:

TOWNSHIP 22 NORTH, RANGE 6 WEST, SANDOVAL COUNTY

Section 1: S/2
Section 10: NE/4, S/2
Section 11: All
Section 12: All
Section 13: All
Section 14: All
Section 15: All
Section 22: N/2
Section 23: All
Section 24: N/2

5. The unitized interval for the expanded Venado Canyon Unit remains the same as identified in Division Order R-14067.

6. Encana will remain the designated operator under the revised Unit Agreement and the effective date of the expanded Venado Canyon Unit will remain the same as designated in R-14067.

7. The revised Unit Agreement for the expanded Venado Canyon Unit has been approved by a sufficient percentage of the interest owners within the proposed expanded Unit Area to provide effective control of unit operations.

8. Prior to the hearing, Encana expects to receive preliminary approval of the Unit Agreement for the expanded Venado Canyon Unit from the Bureau of Land Management. Encana will also meet with representatives from the Oil Conservation Division.

9. The entire expanded Venado Canyon Unit Area will be developed and operated as a single Participating Area.

10. The additional acreage Encana seeks to add to the unitized area is currently within the Lybrook Gallup Oil Pool (42289). The Lybrook Gallup Oil Pool is 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.

11. Order R-14067 requires that wells drilled in the Venado Canyon Unit should be dedicated to the Lybrook Gallup Pool.

12. Notice of this Application will be provided to working interest owners and overriding royalty interest owners within the Unit Area.

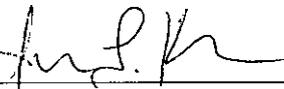
13. Encana will also cause notice of this Application to be published in a local newspaper of general circulation in both Sandoval County, New Mexico.

14. 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 June 9, 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. 15337 (re-opened): **Application Of Encana Oil & Gas (USA) Inc. To Amend Order Order R-14067 To Expand The Venado Canyon Unit, Sandoval County, New Mexico.** Applicant seeks to amend Order R-14067 to expand the geographic area of the Venado Unit by 960.00 of leased and unleased Federal lands. The proposed expanded Unit Area will consist of approximately 5,280.00 acres of Federal and Fee lands located in all or parts of the following sections in Sandoval County, New Mexico:

Sections 1, 10-15, and 22-24 of T-22-N, R-6-W.

The unitized interval is the Mancos\formation defined as 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) to the stratigraphic equivalent of the base of the Greenhorn Limestone as shown in the Double Ought No. 1 Well (30-043-20089) located in Unit N of Section 12, Township 22 North, Range 6 West, N.M.P.M. The subject acreage is located approximately 4 miles southeast of Counselor, New Mexico.