

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE PONDEROSA UNIT, CREATION OF A NEW POOL FOR HORIZONTAL DEVELOPMENT WITHIN THE UNIT AREA, AND FOR ALLOWANCE OF 330 FOOT SETBACKS FROM THE EXTERIOR OF THE PROPOSED UNIT, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15471

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

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STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") seeks an order (1) approving its Ponderosa Unit; (2) creating a new pool for horizontal wells within the unit area; and (3) allowing for 330 foot setbacks from the exterior of the proposed Unit. The proposed Unit consists of 19,839 acres, more or less, of Federal, State, and Indian Allotted lands in all or parts of Sections 5-8, Township 23 North, Range 9 West, Sections 1-14, 17-20, Township 23 North, Range 10 West, Section 1, 11-15, and 17-20, Township 23 North, Range 11 West, Section 31,

Township 24 North, Range 9 West, and Section 36, Township 24 North, Range 11 West, San Juan County, New Mexico. The unitized interval is the stratigraphic equivalent of the interval described as the Mancos Shale Group, including the genetically related rocks from 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 (top of the Graneros Shale) as shown in the Kinbeto R G-Federal 1 well (API # 3004525087) well in Section 8, Township 23, North, Range 10 West, N.M.P.M., extending from 3,450' to 5,155' (measured depth). Encana expects to receive preliminary approval of the Unit Agreement from the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico State Land Office prior to the hearing in this matter. Encana has also met with the Oil Conservation Division on this matter.

The Unit Area is currently subject to the Special Rules and Regulations for the Basin Mancos Gas Pool (Pool Code 97232) adopted in 2008 under Division Order R-12984 and the South Bisti Gallup Pool (Pool Code 5860). Rule 4 of the Special Rules for South Bisti Gallup Pool requires wells to be located no closer than 330 feet to any quarter- quarter section or subdivision inner boundary of a spacing unit, or in this case the outer boundary of the Unit Area. See R-8090. Rule C of the Special Rules for the Basin Mancos Gas Pool requires wells to be located no closer than 660 feet to the outer boundary of a spacing unit, or in this case the outer boundary of the Unit Area. 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 requests that the Division create a new pool for horizontal development within the Ponderosa Unit that covers the unitized interval and allows for 330 foot setbacks. Notice of this Application will be provided to the affected parties in the spacing units offsetting the proposed

Unit Area, as well as the working interest owners, overriding royalty interest owners, and Indian Allottees within the unitized area.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mona Binion, Petroleum Land Negotiator, Encana	Approx. 20 minutes	Approx. 7 Exhibits
Erik P. Graven, Petroleum Geologist, Encana	Approx. 15 minutes	Approx. 5 Exhibits

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART LLP



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