

**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. 15335
ORDER NO. R-13931-A**

APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER NO. R-13931 TO EXPAND THE BLANCO WASH FEDERAL/ALLOTTED INDIAN/FEE EXPLORATORY UNIT AND THE CORRESPONDING BLANCO WASH UNIT HZ OIL POOL, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 25, 2015, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 15th day of December, 2015, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

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-13931 to expand the geographic area of the Blanco Wash Unit and expand the corresponding Blanco Wash Mancos (Oil) Pool (Pool Code 98173) to the expanded Unit boundaries.

(3) Under Division Order No. R-13931 issued on November 10, 2014 in Case No. 15212, the Division approved the Blanco Wash Unit in the Mancos formation comprising 4,804 acres, more or less, of federal, allotted Indian, and fee lands and created a new oil pool for horizontal wells within the Unit Area. This pool was subsequently designated by the Aztec district office of the Division as the Blanco Wash Mancos (Oil) Pool (Pool Code 98173).

(4) Under the terms of Order No. R-13931, the Blanco Wash 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 Blanco Wash Unit will consist of 13,128.47 acres, more or less, and will encompass the following Federal, Indian Allotted, State, and fee lands in San Juan County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 6:	All
Section 7:	All
Section 18:	All
Section 19:	All

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM

Section 1:	All
Section 2:	E/2
Section 4:	W/2
Section 5:	All
Sections 8 through 17:	All
Section 20:	All
Section 21:	N/2
Section 22:	N/2
Section 23:	N/2
Section 24:	All

(7) 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 August 20, 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 as is that certain horizontally drilled well with API No. 30-045-35313 which was drilled and completed prior to the effective date. That well is also the subject well with the Type Log for the Unit.

(8) The resulting Unit Area includes 21 federal tracts comprising 76 percent of the Unit. There are also 4 State tracts, 1 fee tract, and 14 Navajo Allotted tracts within the expanded Unit.

(9) Notice of this application was provided in the expanded Unit Area to all working interest owners and to all Indian Allottee Mineral Interest Owners. Notice was also provided to the affected parties in those lands surrounding the expanded Unit Area.

(10) Notice of the proposed Unit and of this case was posted in the Farmington Daily Times, a newspaper of general circulation.

(11) Ms. Adrienne Wood, an Indian Allottee interest owner, appeared at the June 25, 2015, hearing and asked for a continuance. Ms. Wood had received notice of this application but had not filed a prehearing statement in this case. The motion for continuance was denied.

(12) Mr. Rena V. Nez had received notice of this application but had not filed a prehearing statement in this case. Mr. Nez asked to speak and provided comments which are contained in the transcript.

(13) No other parties appeared or otherwise opposed this application.

(14) 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 and the SLO have provided letters of preliminary approval of the expanded Unit. The FIMO has attended the meetings and has verbally expressed approval.

(15) 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.

(16) The application to amend Division Order No. R-13931 to expand the Blanco Wash Unit and the corresponding Blanco Wash Mancos (Oil) Pool will prevent waste and protect correlative rights.

(17) The application should be approved.

(18) The ordering paragraphs in Division Order No. R-13931 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-13931 to expand the geographic area of the Blanco Wash Unit and expand the corresponding Blanco Wash Mancos (Oil) Pool to the bounds of the new Unit boundaries is hereby approved.

(2) All ordering paragraphs of Order No. R-13931 are hereby vacated and replaced with the following.

(3) The Blanco Wash Unit shall comprise 13,128.47 acres, more or less, of Federal, State, Navajo Allotted, and fee lands in San Juan County, New Mexico, and be described as follows:

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 6:	All
Section 7:	All
Section 18:	All
Section 19:	All

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM

Section 1:	All
Section 2:	E/2
Section 4:	W/2
Section 5:	All
Sections 8 through 17:	All
Section 20:	All
Section 21:	N/2
Section 22:	N/2
Section 23:	N/2
Section 24:	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 Blanco Wash Unit is obtained by Applicant from the SLO, the FIMO, and the BLM. The final approval letters by the BLM, the FIMO, and the SLO, shall be provided to the Division.

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

(6) Pursuant to the Unit Agreement, the Unitized Interval shall include 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 4440 feet, to the stratigraphic equivalent of the base of the Greenhorn Limestone, as defined at a depth of approximately 6152 feet shown on the log run March 22, 2012 on the Escrito P16 2409 Well No. 1H (API 30-045-35313) located in Unit P, Section 16, Township 24 North, Range 9 West, NMPM, San Juan 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 all Unit Wells to be dedicated to one oil pool is hereby approved. All horizontal oil wells of at least 1000 feet lateral length drilled and completed in the Mancos formation within the Unit Area and after the effective date shall be dedicated to the existing Blanco Wash Mancos (Oil) Pool. 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) The Blanco Wash Mancos (Oil) Pool shall be subject to Division Rules 19.15.15.9, 19.15.16.14B(3), and 19.15.20.12A NMAC; provided however, the following stipulations shall apply to Unit Wells:

a. The Unit Operator shall submit to the Division Form C-102 for each Unit Well that shows the drilling block for that particular well (each standard-sized oil spacing unit penetrated by the well), the total acreage within the Unit and the Division order number approving the Unit; and

b. As per Applicant's request, any Unit Well may be drilled anywhere within the Unit provided that no portion of the completed interval is closer than 330 feet to the outer boundary of the Unit unless otherwise approved by the Division pursuant to Division Rule 19.15.15.13 NMAC.

(12) Within 30 days of the effective date of this order the operator of this Unit shall rename any existing Unit Wells so those wells become the same property and shall dedicate all Unit Wells to the Blanco Wash Mancos (Oil) Pool.

(13) Should a new pool for Mancos development be formed that encompasses the area of the Blanco Wash Unit, then the existing pool for Unit Wells will be contracted, and the Blanco Wash Unit Wells shall be incorporated into that new Mancos pool. In that event, the operator of the Blanco Wash Unit shall file the necessary forms with the Division to dedicate those wells to the new pool.

(14) The plan contained within the Blanco Wash 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 Blanco Wash Unit shall be submitted annually to the Division for review.

(15) 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.

(16) 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.

(17) 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

A handwritten signature in dark ink, reading "David R. Catanach". The signature is fluid and cursive, with a prominent initial "D".

DAVID R. CATANACH
Director