

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**Reopened
CASE NO. 15369
ORDER NO. R-14090-A**

APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER NO. R-14090 TO EXPAND THE CROW CANYON UNIT AND THE CORRESPONDING CROW CANYON UNIT MANCOS 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 April 14, 2016, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 23rd day of May, 2016, 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-14090 to expand the geographic area of the Crow Canyon Unit and expand the corresponding Crow Canyon Unit; Mancos Pool (Pool Code 98194) to the expanded Unit boundaries.

(3) Under Division Order No. R-14090 issued on December 3, 2015 in Case No. 15369, the Division approved the Crow Canyon Unit in the Mancos formation comprising 7,212.26 acres, more or less, of Federal, Allotted Indian, and State 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 Crow Canyon Unit; Mancos Pool (Pool Code 98194).

(4) Under the terms of Order No. R-14090, the Crow Canyon 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 Crow Canyon Unit will consist of 13,604.06 acres, more or less, and will encompass the following Federal, Indian Allotted, and State lands in San Juan County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

| | |
|--------------------------|------|
| Sections 3, 4, and 5: | All |
| Sections 8, 9, and 10: | All |
| Section 15: | N/2 |
| Sections 16 and 17: | All |
| Sections 20 and 21: | All |
| Section 27: | S/2 |
| Sections 28, 29, and 30: | All |
| Section 34: | NE/4 |

TOWNSHIP 25 NORTH, RANGE 8 WEST, NMPM

| | |
|----------------------------------|-----|
| Sections 25 and 26: | All |
| Sections 32, 33, 34, 35, and 36: | 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 1, 2013. 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.

(8) The resulting Unit Area includes 19 federal tracts comprising 83 percent of the Unit. There are also 5 State tracts, and 4 Navajo Allotted tracts within the expanded Unit.

(9) Notice of this application was provided in the expanded Unit Area to all working interest owners, royalty interest owners, and overriding royalty 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 for this case was provided by advertisement in the Farmington Daily Times, a newspaper of general circulation in San Juan County, New Mexico

(11) Unlocatable interest owners were provided notice by advertisement in the Farmington Daily Times.

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

(13) 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. Federal Indian Minerals Office (FIMO) also gave their verbal approval.

(14) 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.

(15) The application to amend Division Order No. R-14090 to expand the Crow Canyon Unit and the corresponding Crow Canyon Unit; Mancos Pool will prevent waste and protect correlative rights.

(16) The application should be approved.

(17) The ordering paragraphs in Division Order No. R-14090 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-14090 to expand the geographic area of the Crow Canyon Unit and expand the corresponding Crow Canyon Unit; Mancos Pool to the bounds of the new Unit boundaries is hereby approved.

(2) All ordering paragraphs of Order No. R-14090 are hereby vacated and replaced with the following.

(3) The Crow Canyon Unit shall comprise 13,604.06 acres, more or less, of Federal, State, and Navajo Allotted lands in San Juan County, New Mexico, and be described as follows:

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

| | |
|------------------------|-----|
| Sections 3, 4, and 5: | All |
| Sections 8, 9, and 10: | All |

| | |
|--------------------------|------|
| Section 15: | N/2 |
| Sections 16 and 17: | All |
| Sections 20 and 21: | All |
| Section 27: | S/2 |
| Sections 28, 29, and 30: | All |
| Section 34: | NE/4 |

TOWNSHIP 25 NORTH, RANGE 8 WEST, NMPM

| | |
|----------------------------------|-----|
| Sections 25 and 26: | All |
| Sections 32, 33, 34, 35, and 36: | 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 Crow Canyon 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 5220 feet, to the stratigraphic equivalent of the base of the Greenhorn Limestone, as defined at a depth of approximately 6980 feet, both shown on the log run October 21, 1982 on the Anabel C Well No. 1 (API 30-045-25452) located in Unit M, Section 34, Township 25 North, Range 8 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 Crow Canyon Unit; Mancos 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 Crow Canyon Unit; Mancos 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 Crow Canyon Unit; Mancos Pool.

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

(14) The plan contained within the Crow Canyon 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 Crow Canyon 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

David R. Catanach

DAVID R. CATANACH
Director