

**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:**

**NOMENCLATURE
CASE NO. 15539
ORDER NO. R-14915-A**

**APPLICATION OF ENCANA OIL & GAS (USA), INC. TO CONTRACT THE
HORIZONTAL LIMITS OF THE NAGEEZI-GALLUP POOL (47540) IN THE
MANCOS FORMATION BY EXCLUDING THE WEST HALF OF SECTION 10,
TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY, NEW
MEXICO.**

ORDER OF THE DIVISION

This case came on for hearing at 8:15 a.m. on September 15, 2016, at Santa Fe, New Mexico before Examiner Phillip R. Goetze.

NOW, on this 24th day of October, 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 the subject matter thereof.

(2) Encana Oil & Gas (USA), Inc. ("Encana" or "Applicant") seeks an order contracting the W/2 of Section 10, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico from the horizontal limits of the Nageezi-Gallup Pool (Pool Code 47540).

(3) Encana previously appeared before the Division in Case No. 15416 seeking a Project Area within the Mancos or Gallup formations comprising all of Section 10 in order to efficiently drill diagonal horizontal wells across Section 10. The Division entered Order No. R-14915 on July 28, 2016, denying the proposed Project Area but recognizing the need for contraction of the Nageezi-Gallup Pool from the W/2 of Section 10.

(4) Applicant appeared at the hearing through counsel, requested the record from Case No. 15416 be incorporated into this case, and presented the following testimony from a Land Manager through affidavit:

- (a) Removal of the W/2 of Section 10 from the Nageezi-Gallup Pool will allow Encana to efficiently and effectively orient its horizontal wells and remain within the requirements of Division rules.
- (b) Notice of this proposed contraction was provided to all Division designated operators in the Nageezi-Gallup Pool and to all Division designated operators of wells within one mile of this pool completed in the same formation, unless those wells have been assigned to another pool.
- (5) No other party entered an appearance or otherwise opposed this application.

(6) Applicant at hearing confirmed Division records which indicate that there are no proposed or active vertically or horizontally drilled Nageezi-Gallup Pool well completions within the W/2 of Section 10 and therefore there are no impediments to contracting the Nageezi-Gallup Pool from the W/2 of Section 10.

(7) After contraction of the Nageezi-Gallup Pool, the Basin-Mancos Gas Pool will automatically expand per Division Rule No. R-12984 into the W/2 of Section 10. Applicant would then be allowed to form a project area within the Basin-Mancos Gas Pool consisting of two standard gas spacing units and drill wells in the direction and density as allowed by well performance.

(8) All provisions of Division Order No. R-14915 should remain in effect; however, no restriction should be placed on owners within Section 10 to form project areas composed of multiple spacing units as needed to drill horizontal wells.

(9) Applicant's request to contract the Nageezi-Gallup Pool should be granted in order to protect correlative rights and prevent waste.

IT IS THEREFORE ORDERED THAT:

(1) The application of Encana Oil & Gas (USA), Inc. ("Encana" or "Applicant") is hereby granted.

(2) The Nageezi-Gallup Pool (Pool Code 47540) in San Juan County, New Mexico, is hereby contracted by the deletion of the following described area:

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM
Section 10: W/2

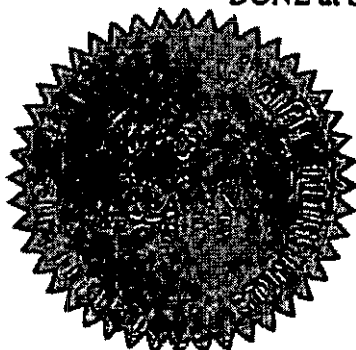
(3) The effective date of this order shall be November 1, 2016.

(4) All provisions of Division Order No. R-14915 shall remain in effect; however, no restriction shall be placed on owners within Section 10 to form project areas composed of multiple spacing units as needed to drill horizontal wells.

(5) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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DONE at Santa Fe, New Mexico on the day and year hereinabove designated.



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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 long horizontal stroke at the end.

DAVID R. CATANACH
Director