

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

**APPLICATION OF ENCANA OIL & GAS (USA)
INC. FOR APPROVAL OF A UNIT AGREEMENT
AND AN EXCEPTION TO THE WELL LOCATION
REQUIREMENTS SET FORTH IN THE SPECIAL
RULES FOR THE COUNSELORS GALLUP-DAKOTA
AND BASIN MANCOS GAS POOLS,
SANDOVAL COUNTY, NEW MEXICO.**

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CASE NO. 14987

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), pursuant to NMAC 19.15.20.14, hereby makes application for an order approving its Gallo Canyon Federal Exploratory Unit. In addition, Encana seeks exceptions to the well location requirements in the Special Rules for the Counselors Gallup-Dakota Pool and the Basin Mancos Gas Pool. In support of this application, Encana states:

1. The proposed Unit Area for the Gallo Canyon Federal Exploratory Unit consists of 5,760 acres, more or less, of federal and state lands situated in all of Sections 22-27 and 34-36 of Township 23, North, Range 6 West, N.M.P.M., Sandoval County, New Mexico.
2. Encana is the designated operator under the Unit Agreement. The unitized interval includes all formations from one one-hundred (100) feet below the stratigraphic equivalent of the top of the Mancos Shale (base of the Mesa Verde Group) to the stratigraphic equivalent of the base of the Greenhorn Limestone Formation.
3. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.
4. Both the New Mexico State Land Office and the Bureau of Land Management have provided preliminary approval of the Unit Agreement.

5. The entire Unit Area will be developed and operated as a single Participating Area.

6. Most of the Unit Area is currently subject to the Special Rules and Regulations for the Counselors Gallup-Dakota Oil Pool, adopted in 1982 under Division Order R-7034 and made permanent in 1986 under Division Order R-4034-B. A portion of the Unit Area also appears currently subject to the Special Rules for the Basin-Mancos Gas Pool adopted in 2008 under Division Order R-12984.

7. Both Rule 4 of the Special Rules for the Counselors Gallup-Dakota Oil Pool and Rule C of the Special Rules for the Basin-Mancos Gas Pool require 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 addition, Rule 4 of the Special Rules for the Counselors Gallup-Dakota Oil Pool requires a well producing from the pool to be located no closer than 1320 feet to another well capable of producing from the same pool.

8. In order to allow for the most efficient horizontal and vertical well development pattern, and to effectively drain the reserves in the unitized formation underlying the Unit Area, Encana requires an exception to the applicable setback requirements to allow for wells to be located anywhere within the Unit Area so long as the completed interval remains at least 330 feet from the outer boundary of the Unit Area.

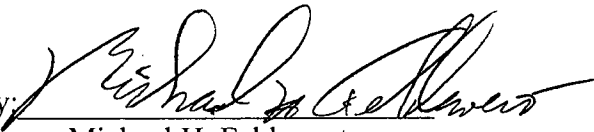
9. Notice of this Application has been provided to the affected parties in the spacing units offsetting the proposed Unit Area.

10. The formation of the Unit Area under the terms of the Unit Agreement and approval of the exception sought under this Application are in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Encana requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on May 16, 2013, and that after notice and hearing this Application be approved.

Respectfully submitted,

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