

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE PINON UNIT AGREEMENT; FOR A "REFERENCE CASE" AUTHORIZING WITHIN THE UNIT AREA THE DOWNHOLE COMMINGLING OF PRODUCTION FROM THE BASIN MANCOS GAS POOL AND THE BISTI LOWER GALLUP OIL POOL; AND FOR AN EXCEPTION TO WELL LOCATION REQUIREMENTS FOR HORIZONTAL WELLS WITHIN THE UNIT AREA, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15/20

AMENDED APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorney, files this application with the Oil Conservation Division for an order (1) approving its Pinon Unit; (2) establishing a "reference case" authorizing with the Unit the downhole commingling of production from the Basin Mancos Gas Pool (Pool Code 97232) and the Bisti Lower Gallup Oil Pool (Pool Code 5890); and (3) authorizing horizontal wells to be located anywhere within the Unit so long as the completed interval is no closer than 330 feet from the outer boundary of the Unit. In support of this application, Encana states:

1. The proposed Unit Area for the Pinon Unit consists of 8,005 acres, more or less, of Federal, State and Indian allotted lands situated in:

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM

Section 4:	W/2
Section 5:	All
Section 6:	All
Section 7:	All
Section 8:	All
Section 9:	All
Section 10:	All
Section 15:	All
Section 16:	All
Section 17:	All
Section 18:	All
Section 21:	All
Section 22:	N/2

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2. Encana is the designated operator under the Unit Agreement. The unitized interval includes all formations from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of Mesa Verde Group) to 100 feet below the stratigraphic equivalent of the base of the Greenhorn Limestone as shown in the Rodeo Rosie #1 01 well (API No. 30045253980000).

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. Applicant 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.

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

6. Pursuant to 19.15.20.14 NMAC, after notice and hearing, the Division may approve the combining of contiguous developed proration units into a unitized area.

7. Encana also seeks approval to downhole commingle within the proposed Unit Area production from the Basin Mancos Gas Pool (Pool Code 97232) and the Bisti Lower Gallup Oil Pool (Pool Code 5890).

8. In accordance with Subsection D(1) of Rule 19.15.12.11, Encana will provide notice of this application to the interest owners within the proposed Unit Area and demonstrate at hearing that the conditions set forth in Subsection A of Rule 19.15.12.11 are met.

9. The Unit Area is currently subject to the Special Rules and Regulations for the Basin Mancos Gas Pool adopted in 2008 under Division Order R-12984 and the Special Rules for the Bisti Lower Gallup Oil Pool adopted in 1958 under Division Order R-1069-B and as amended by Division Orders R-1069-C through R-1069-G.

10. 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. Rule 2 of the Special Rules for the Bisti Lower Gallup Oil Pool require wells to be located in the North half or South half of a governmental quarter section and Rule 3 of the Special Rules for the Bisti Lower Gallup Oil Pool requires wells to be no closer than 330 feet to any quarter-quarter section line.

11. 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 requires an exception to the applicable setback requirements to allow 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.

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

13. Approval of this Application will be 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 1, 2014, and that after notice and hearing this Application be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

ATTORNEYS FOR ENCANA OIL & GAS USA, INC.

Case No. 15120

Application Of Encana Oil & Gas (USA) Inc. For Approval Of The Pinon Unit Agreement; For A "Reference Case" Authorizing Within The Unit Area The Downhole Commingling Of Production From The Basin Mancos Gas Pool And The Bisti Lower Gallup Oil Pool; And For An Exception To The Well Location Requirements For Horizontal Wells Within The Unit Area, San Juan County, New Mexico.

Applicant seeks approval of its Pinon Unit consisting of 8,005 acres, more or less, of federal, state and allotted Indian lands situated in all or parts of Sections 4-10, 15-18, 21 and 22 of Township 24 North, Range 10 West, N.M.P.M., San Juan County, New Mexico. 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 as shown in the Rodeo Rosie #1 01 well (API No. 30045253980000). In addition, Applicant also seeks an order (1) establishing a "reference case" authorizing within the Unit Area the downhole commingling of production from the Basin Mancos Gas Pool (Pool Code 97232) and the Bisti Lower Gallup Oil Pool (Pool Code 5890); and (2) authorizing horizontal wells to be located anywhere within the proposed Unit Area so long as the completed interval is no closer than 330 feet from the outer boundary of the Unit Area. This area is located approximately 8 miles northwest of Nageezi, New Mexico.

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APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE PINON UNIT AGREEMENT; FOR A "REFERENCE CASE" AUTHORIZING WITHIN THE UNIT AREA THE DOWNHOLE COMMINGLING OF PRODUCTION FROM THE BASIN MANCOS GAS POOL AND THE BISTI LOWER GALLUP OIL POOL; AND FOR AN EXCEPTION TO WELL LOCATION REQUIREMENTS FOR HORIZONTAL WELLS WITHIN THE UNIT AREA, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15120
14521

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorney, files this application with the Oil Conservation Division for an order (1) approving its Pinon Unit; (2) establishing a "reference case" authorizing with the Unit the downhole commingling of production from the Basin Mancos Gas Pool (Pool Code 97232) and the Bisti Lower Gallup Oil Pool (Pool Code 5890); and (3) authorizing horizontal wells to be located anywhere within the Unit so long as the completed interval is no closer than 330 feet from the outer boundary of the Unit. In support of this application, Encana states:

1. The proposed Unit Area for the Pinon Unit consists of 8,005 acres, more or less, of Federal, State and Indian allotted lands situated in:

TOWNSHIP 24 NORTH, RANGE 10 WEST, NMPM

Section 4:	W/2
Section 5:	All
Section 6:	All
Section 7:	All
Section 8:	All
Section 9:	All
Section 10:	All
Section 15:	All
Section 16:	All
Section 17:	All
Section 18:	All
Section 21:	All
Section 22:	N/2

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2. Encana is the designated operator under the Unit Agreement. The unitized interval includes all formations 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 Formation as shown in the Escrito P16-2409 01H well (API No. 30045353130000).

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. The Bureau of Land Management, the Federal Indian Minerals Office and the New Mexico State Land Office have provided preliminary approval of the Unit Agreement.

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

6. Pursuant to 19.15.20.14 NMAC, after notice and hearing, the Division may approve the combining of contiguous developed proration units into a unitized area.

7. Encana also seeks approval to downhole commingle within the proposed Unit Area production from the Basin Mancos Gas Pool (Pool Code 97232) and the Bisti Lower Gallup Oil Pool (Pool Code 5890).

8. In accordance with Subsection D(1) of Rule 19.15.12.11, Encana will provide notice of this application to the interest owners within the proposed Unit Area and demonstrate at hearing that the conditions set forth in Subsection A of Rule 19.15.12.11 are met.

9. The Unit Area is currently subject to the Special Rules and Regulations for the Basin Mancos Gas Pool adopted in 2008 under Division Order R-12984 and the Special Rules for the Bisti Lower Gallup Oil Pool adopted in 1958 under Division Order R-1069-B and as amended by Division Orders R-1069-C through R-1069-G.

10. 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. Rule 2 of the Special Rules for the Bisti Lower Gallup Oil Pool require wells to be located in the North half or South half of a governmental quarter section and Rule 3 of the Special Rules for the Bisti Lower Gallup Oil Pool requires wells to be no closer than 330 feet to any quarter-quarter section line.

11. 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 requires an exception to the applicable setback requirements to allow 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.


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

13. Approval of this Application will be 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 1, 2014, and that after notice and hearing this Application be approved.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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Santa Fe, New Mexico 87504
(505) 988-4421

ATTORNEYS FOR ENCANA OIL & GAS USA, INC.

Case No. ^{1512D}~~91521~~

Application Of Encana Oil & Gas (USA) Inc. For Approval Of The Pinon Unit Agreement; For A "Reference Case" Authorizing Within The Unit Area The Downhole Commingling Of Production From The Basin Mancos Gas Pool And The Bisti Lower Gallup Oil Pool; And For An Exception To The Well Location Requirements For Horizontal Wells Within The Unit Area, San Juan County, New Mexico.

Applicant seeks approval of its Pinon Unit consisting of 8,005 acres, more or less, of federal, state and allotted Indian lands situated in all or parts of Sections 4-10, 15-18, 21 and 22 of Township 24 North, Range 10 West, N.M.P.M., San Juan County, New Mexico. 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. In addition, Applicant also seeks an order (1) establishing a "reference case" authorizing within the Unit Area the downhole commingling of production from the Basin Mancos Gas Pool (Pool Code 97232) and the Bisti Lower Gallup Oil Pool (Pool Code 5890); and (2) authorizing horizontal wells to be located anywhere within the proposed Unit Area so long as the completed interval is no closer than 330 feet from the outer boundary of the Unit Area. This area is located approximately 8 miles northwest of Nageezi, New Mexico.