

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE NAGEEZI UNIT, CREATION OF A NEW POOL FOR HORIZONTAL DEVELOPMENT WITHIN THE UNIT AREA, AND FOR ALLOWANCE OF 300 FOOT SETBACKS FROM THE EXTERIOR OF THE PROPOSED UNIT, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 15153

APPLICANT'S PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Encana Oil & Gas (USA) Inc. ("Encana"), as required by NMAC 19.15.4.13.B.

APPEARANCES

APPLICANT

Encana Oil & Gas (USA) Inc.

ATTORNEY

Michael H. Feldewert
Adam G. Rankin
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile

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STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") seeks an order from the Division (1) approving its Nageezi Unit; (2) creating a new pool for horizontal wells within that unit area; and (3) allowing for 330 foot setbacks from the exterior of the proposed Unit.

The proposed Nageezi Unit Area consists of 9,135 acres, more or less, of federal, state and allotted Indian lands situated in all or parts of Sections 1-5, and 9-11 of Township 23 North, Range 9 West, and Sections 21-23, 26-28, and 33-35 of Township 24 North, Range 9 West, N.M.P.M., San Juan County, New Mexico. The New Mexico State Land Office and the Bureau

of Land Management have provided preliminary approval of the Unit Agreement. The Federal Indians Mineral Office has provided verbal approval of the proposed Nageezi Unit and will be signing the unit agreement on behalf of the Indian allottees. The entire Unit Area will be developed and operated as a single Participating Area.

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, 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-H, and the Special Rules for the South Bisti Gallup adopted in 1985 under Division Order R-8090. 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 contrast, Rule 3 of the Special Rules for the Bisti Lower Gallup Oil Pool and Rule 4 of the Special Rules for the South Bisti Gallup Oil Pool require wells to be located no closer than 330 feet to any quarter-quarter section line.

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 requests that the Division create a new pool for horizontal development within the Nageezi Unit that covers the unitized interval and allows for 330 foot setbacks.

APPLICANT'S PROPOSED EVIDENCE

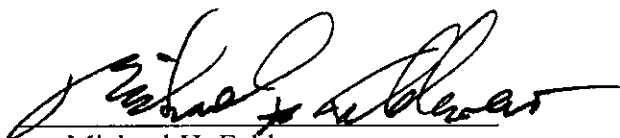
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mona Binion, Petroleum Land Negotiator	Approx. 15 minutes	Approx. 4 Exhibits
Erik Graven, Petroleum Geologist	Approx. 10 minutes	Approx. 4 Exhibits
Daniel J. Camper, Petroleum Engineer	Approx. 10 minutes	Approx. 3 Exhibits

PROCEDURAL MATTERS

This matter may be consolidated with Case No. 15154 for purposes of hearing efficiency.

Respectfully submitted,

HOLLAND & HART, LLP

A handwritten signature in black ink, appearing to read "Michael H. Feldewert", written over a horizontal line.

Michael H. Feldewert

Adam G. Rankin

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Santa Fe, New Mexico 87504-2208

(505) 988-4421

(505) 983-6043 Facsimile

mfeldewert@hollandhart.com

agrarkin@hollandhart.com

ATTORNEYS FOR ENCANA OIL & GAS (USA) INC.