

**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 PINON UNIT, CREATION OF A NEW POOL FOR HORIZONTAL DEVELOPMENT WITHIN THE UNIT AREA, AND FOR ALLOWANCE OF 330 FOOT SETBACKS FROM THE EXTERIOR OF THE PROPOSED UNIT, SAN JUAN COUNTY, NEW MEXICO**

**CASE NO. 15154**

**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**

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**OPPONENT**

Pro New Mexico Energy, Inc.

**ATTORNEY**

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## **STATEMENT OF THE CASE**

Encana Oil & Gas (USA) Inc. ("Encana") seeks an order from the Division (1) approving its Pinon 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 Pinon Unit Area consists 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, 21-22 and the N/2 of Section 28 of Township 24 North, Range 10 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 Pinon 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 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-H. 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 requires 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 Pinon Unit that covers the unitized interval and allows for 330 foot setbacks.

### APPLICANT'S PROPOSED EVIDENCE

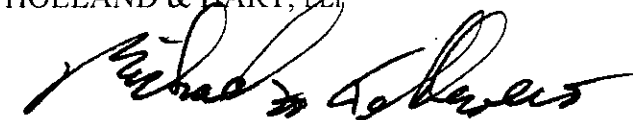
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mona Binion, Petroleum Land Negotiator, Encana	Approx. 15 minutes	Approx. 4 Exhibits
Jennifer Graf, Petroleum Geologist, Encana	Approx. 10 minutes	Approx. 4 Exhibits
Daniel J. Camper, Petroleum Engineer, Encana	Approx. 10 minutes	Approx. 3 Exhibits

### PROCEDURAL MATTERS

1. Due to a scrivener's error the N/2 of Section 28 was not included within the hearing application, but at all times has been properly identified on Exhibit B to the Pinon Unit Agreement.
2. This matter may be consolidated with Case No. 15153 for purposes of hearing efficiency.

Respectfully submitted,

HOLLAND & HART, LLP



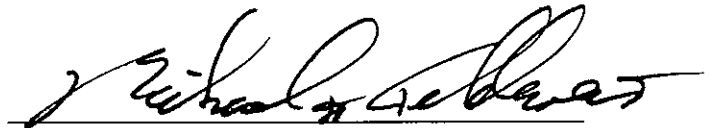
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ATTORNEYS FOR ENCANA OIL & GAS (USA) INC.

**CERTIFICATE OF SERVICE**

I hereby certify that on May 22, 2014, I served a copy of the foregoing document to the following via electronic mail to:

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

Michael H. Feldewert  
Adam G. Rankin