

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE HUTTON CANYON 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. 15210

APPLICATION

Encana Oil & Gas (USA) Inc. ("Encana"), through its undersigned attorneys, files this application with the Oil Conservation Division for an order (1) approving its Hutton Canyon Unit; (2) creating a new pool for horizontal wells within the unit area; and (3) allowing for 330 foot setbacks from the exterior of the proposed Unit. In support of this application, Encana states:

1. The proposed Unit Area for the Hutton Canyon Unit consists of 2,563 acres, more or less, of Federal lands situated in:

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM

Section 11: All
Section 13: All
Section 14: All

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM

Section 18: E/2, E/2W/2, Lot 1, Lot 2, Lot 3, and Lot 4

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2. Encana is the designated operator under the Unit Agreement. The unitized interval includes all genetically related rocks from 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 (top of the Graneros Shale), as shown in the Jeffers Federal

2 #23 (API No. 30-045-24439) and Dome Federal 13-41 (API No. 30-045-24245) wells in Sections 2 and 13 respectively, Township 23 North, Range 8 West, N.M.P.M..

3. The Unit Agreement will be approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

4. Applicant has received preliminary approval of the Unit Agreement from the Bureau of Land Management.

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. The Unit Area is currently subject to the Special Rules and Regulations for the Basin Mancos Gas Pool (Pool Code 97232) adopted in 2008 under Division Order R-12984 and the Lybrook Gallup Oil Pool (Pool Code 42289).

8. The Lybrook Gallup Oil Pool is subject to Statewide Rule 19.15.15.9 which requires wells to be located no closer than 330 feet to the outer boundary of a spacing unit, or in this case the outer boundary of the Unit Area.

9. 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.

10. 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 Hutton Canyon Unit that covers the unitized interval and allows for 330 foot setbacks.

11. Notice of this Application will be provided to the affected parties in the spacing units offsetting the proposed Unit Area and the working interest owners within the unitized area.

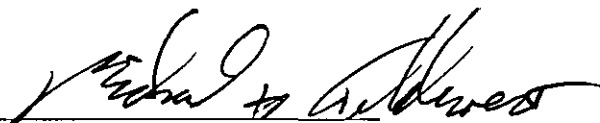
12. Encana will also cause notice of this Application to be published in a local newspaper of general circulation in San Juan County, New Mexico.

13. Approval of this Application and the creation of a new pool for horizontal development in the unitized area will be in the best interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Encana Oil & Gas (USA) Inc. requests that this Application be set for hearing before an Examiner of the Oil Conservation Division on October 2, 2014, and that after notice and hearing this Application be approved.

Respectfully submitted,

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ATTORNEYS FOR ENCANA OIL & GAS USA, INC.

Case No. 15210

Application Of Encana Oil & Gas (USA) Inc. For Approval Of The Hutton Canyon 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. Applicant seeks approval of its Hutton Canyon Unit consisting of 2,563 acres, more or less, of federal lands situated in all or parts of Section 18 of Township 23 North, Range 7 West, and Sections 11, 13 and 14 of Township 23 North, Range 8 West, N.M.P.M., San Juan County, New Mexico. The unitized interval includes all genetically related rocks from 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 (top of the Graneros Shale), as shown in the Jeffers Federal 2 #23 (API No. 30-045-24439) and Dome Federal 13-41 (API No. 30-045-24245) wells in Sections 2 and 13 respectively, Township 23 North, Range 8 West, N.M.P.M.. In addition, Applicant seeks an order creating a new pool for the unitized interval underlying the proposed Unit Area that will allow for 330 foot setbacks from the exterior of the proposed Unit. The subject acreage is located approximately 4.5 miles west of Lybrook, New Mexico.