

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

**APPLICATION OF ENCANA OIL & GAS (USA)
INC. FOR A NON-STANDARD SPACING AND
PRORATION UNIT, COMPULSORY POOLING, AND
UNORTHODOX WELL LOCATION,
RIO ARRIBA COUNTY, NEW MEXICO.**

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CASE NO. 15252³

APPLICATION

ENCANA OIL & GAS (USA) INC., ("Encana") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 320-acre spacing and proration unit comprised of the W/2 of Section 12, Township 23 North, Range 6 West, NMPM, Rio Arriba County, New Mexico; (2) pooling all mineral interests in the Gallup formation (Counselors Gallup Dakota (13379)), underlying this acreage; and (3) authorizing an unorthodox well location. In support of its application, Encana states:

1. Encana (OGRID No. 282327) is a working interest owner in the W/2 of Section 12 and has the right to drill thereon.
2. Encana proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Lybrook O01-2306-01H Well**, which will be horizontally drilled from a surface location in the SW/4SE/4 (Unit O) of Section 1 to a bottom hole location in the SE/4SW/4 (Unit N) of Section 12.
3. The Counselors Gallup-Dakota is governed by the Special Rules as adopted by Division Order R-7034. The special rules require 160-acre spacing units and that wells be no closer than 660 feet to the outer boundary of the spacing unit.

4. The proposed **Lybrook O01-2306-01H Well** will be unorthodox because the completed interval in Section 12 is closer than 660 feet to the northern and southern boundary of the spacing unit. As reflected on the attached C-102 plat, the completed interval will commence in the NE/4 NW/4 (Unit C) and continue to the SE/4 SW/4 (Unit N) of Section 12. Specifically, the well will encroach on the 160-acre spacing units to the North, Northeast, South and Southeast.

5. Encana sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

6. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

7. In order to permit Encana to obtain it's just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled, the non-standard well location should be approved, and Encana Oil & Gas (USA) Inc. should be designated the operator of this proposed horizontal well and spacing unit.

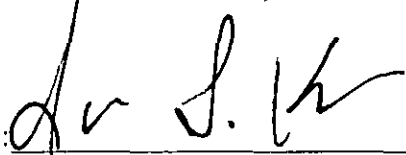
WHEREFORE, Encana Oil & Gas (USA) Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 18, 2014, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 320-acre non-standard spacing and proration unit in the Gallup formation, comprised of the W/2 of Section 12, Township 23 North, Range 6 West, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;

- C. Designating Encana Oil & Gas (USA) Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Encana Oil & Gas (USA) Inc. to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures;
- F. Imposing a 200% penalty for the risk assumed by Encana Oil & Gas (USA) Inc. in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well; and
- G. Approving an unorthodox well location that encroaches on the 160-acre spacing and proration units to the North, Northeast, South and Southeast.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert
Jordan L. Kessler
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421
(505) 983-6043 Facsimile
mfeldewert@hollandhart.com
jlkessler@hollandhart.com

**ATTORNEYS FOR
ENCANA OIL & GAS (USA) INC.**

CASE ³15257

Application of Encana Oil & Gas (USA) Inc. for a non-standard spacing and proration unit, compulsory pooling, and unorthodox well location, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order (1) creating a non-standard, 320-acre spacing and proration unit comprised of the W/2 of Section 12, Township 23 North, Range 6 West, NMPM, Rio Arriba County; (2) pooling all mineral interests in the Gallup formation underlying this acreage; and (3) authorizing an unorthodox well location. Said non-standard unit is to be dedicated to applicant's proposed **Lybrook O01-2306-01H Well**, which will be horizontally drilled from a surface location in SW/4SE/4 (Unit O) of Section 1 to a bottom hole location in the SE/4SW/4 (Unit N) of Section 12. The completed interval for this well will commence in the NE/4NW/4 (Unit C) and continue to the SE/4SW/4 (Unit N) of Section 12. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Encana Oil & Gas (USA) Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 3 miles East of Nageezi, New Mexico.