

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

**APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER R-13931 TO
EXPAND THE BLANCO WASH FEDERAL/ALLOTTED INDIAN/FEE
EXPLORATORY UNIT AND THE CORRESPONDING BLANCO WASH UNIT HZ OIL
POOL, SAN JUAN COUNTY, NEW MEXICO.**

CASE NO. 15335

APPLICANT'S PRE-HEARING STATEMENT

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

APPEARANCES

APPLICANT

Encana Oil & Gas (USA) Inc.

ATTORNEY

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STATEMENT OF THE CASE

Encana Oil & Gas (USA) Inc. ("Encana") seeks to amend Order R-13931 to (1) expand the geographic area of the Blanco Wash Federal/Allotted Indian/Fee Exploratory Unit approved under Division Order R-13931; and (2) expand the corresponding Blanco Wash Unit Hz Oil Pool created by that Order to allow 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 expanded Blanco Wash Unit. This Unit and associated horizontal oil pool in the Mancos formation was approved

under Division Order R-13931, issued on November 10, 2014, in Case No. 15212. It was initially intended to consist of approximately 4,804 acres of Federal and Indian Allotted lands in Sections 7, 18 and 19 of T-24-N, R-8-W and Sections 11-14, 23-24 in T-24-N, R-9-W, in San Juan County, New Mexico. However, the Bureau of Land Management did not provide final approval of the Blanco Wash Unit and accordingly neither the Unit nor the corresponding horizontal oil pool is currently in effect.

Since the Division hearing in this matter, Encana has met with the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico State Land Office about expanding the Blanco Wash Unit to include additional Federal, Indian Allotted, State and fee lands. The proposed expanded Unit Area will now consist of approximately 13,128 acres of Federal, Indian Allotted, State and fee lands located in in all or parts of Sections 6-7, 18-19 of T-24-N, R-8-W and Sections 1-2, 4-5, 8-17, 20-24 of T-24-N, R-9-W. The unitized interval will remain the same at that approved under Order R-13931, Encana will remain the designated operator under the revised Unit Agreement, and the effective date of the expanded Blanco Wash Unit will be August 20, 2012.

The acreage Encana seeks to add to the unitized area is currently within the Basin Mancos Gas Pool (97232), the Bisti Lower Gallup Pool (5890), and the White Wash Mancos Dakota Pool (64290). The Basin Mancos Gas Pool is subject to 660 foot setbacks requirements while the remaining pools are subject to 330 foot setback requirements. To remain consistent with the existing unitized area, and to allow for the most efficient horizontal well development pattern, Encana requests that the Division expand the Blanco Wash Unit Hz Oil Pool to include the additional unitized acreage and thereby allow horizontal wells to be located anywhere within

the expanded Unit Area so long as the completed interval remains at least 330 feet from the outer boundary of the Blanco Wash Unit.

Notice of this Application has been provided to the affected parties in the spacing units offsetting the acreage to be added to the Blanco Wash Unit, as well as the Indian Allottee owners and working interest owners within the expanded Unit Area.

APPLICANT'S PROPOSED EVIDENCE

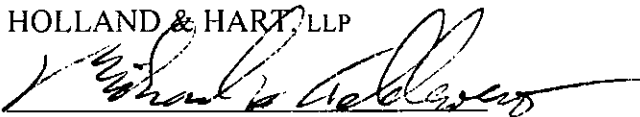
WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Mona Binion, Petroleum Land Negotiator, Encana	Approx. 15 minutes	Approx. 5 Exhibits
Erik P. Graven, Petroleum Geologist, Encana	Approx. 10 minutes	Approx. 5 Exhibits

PROCEDURAL MATTERS

None at this time.

Respectfully submitted,

HOLLAND & HART, LLP



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