

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

APPLICATION OF ENCANA OIL & GAS (USA) INC. FOR APPROVAL OF THE NORTH ALAMITO 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 AND SANDOVAL COUNTIES, NEW MEXICO.

CASE NO. 15367

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 North Alamito 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 North Alamito Unit consists of 13,140.38 acres, more or less, of Federal, State, and Indian Allotted lands situated in:

TOWNSHIP 23 NORTH, RANGE 7 WEST, SANDOVAL COUNTY,
N.M.P.M.:

Section 19:	All
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	All
Section 25:	W/2 and SE/4
Section 26:	All
Section 27:	All
Section 28:	All
Section 29:	All
Section 30:	All
Section 31:	All
Section 32:	All
Section 33:	All
Section 34:	All

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Section 35: NE/4
TOWNSHIP 23 NORTH, RANGE 8 WEST, SAN JUAN COUNTY, N.M.P.M.:

Section 25: All
Section 36: All

TOWNSHIP 22 NORTH, RANGE 7 WEST, SANDOVAL COUNTY,
N.M.P.M.:

Section 3: N/2
Section 4: N/2
Section 5: N/2, SW/4
Section 6: All
Section 7: N/2
Section 8: NW/4

2. Encana is the designated operator under the Unit Agreement. The unitized interval is 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 as shown in the Lybrook H36-2307 01H Well (API No. 30-043-21117) in Section 36, Township 23 North, Range 7 West, N.M.P.M.

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

4. Applicant expects to receive preliminary approval of the Unit Agreement from the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico State Land Office. Applicant has also been in contact with the New Mexico Oil Conservation Division's District 3 Office regarding this application.

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, the Lybrook Gallup Pool (Pool Code 42289), and the Alamito Gallup Pool (Pool Code 1039).

8. The Lybrook Gallup Pool and the Alamito Gallup Pool are 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 North Alamito 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, as well as the working interest owners and Indian Allottees within the unitized area.

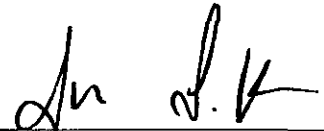
12. Encana will also cause notice of this Application to be published in a local newspaper of general circulation in both Sandoval County and San Juan County, New Mexico.

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 September 3, 2015, 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. 15367

Application Of Encana Oil & Gas (USA) Inc. For Approval Of The North Alamito 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 and Sandoval Counties, New Mexico. Applicant seeks approval of its North Alamito Unit consisting of 13,140.38 acres, more or less, of Federal, State, and Indian Allotted lands situated in all or parts of Sections 19-23 and 25-35 of Township 23 North, Range 7 West, all of Sections 25 and 36, Township 23 North, Range 8 West, N.M.P.M., San Juan County, and all or parts of Sections 3-8 of Township 22 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico. The unitized interval is 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 as shown in the Lybrook H36-2307 01H (API No. 30-043-21117) in Section 36, Township 23 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico. 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 one mile South of Lybrook, New Mexico.