

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15336
ORDER NO. R-13856-A**

APPLICATION OF ENCANA OIL & GAS (USA) INC. TO AMEND ORDER NO. R-13856 TO EXPAND THE NAGEEZI FEDERAL/STATE/ALLOTTED INDIAN/FEE EXPLORATORY UNIT AND THE CORRESPONDING NAGEEZI UNIT HZ OIL POOL, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 25, 2015, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 30th day of November, 2015, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Encana Oil & Gas (USA) Inc. ("Encana") has made application to amend Division Order No. R-13856 to expand the geographic area of the Nageezi Federal/State/Allotted Indian/Fee Exploratory ("Nageezi") Unit by two sections of land, expand the corresponding Nageezi Unit Hz Oil Pool (Pool Code 47540) to the expanded Unit boundaries, and confirm that horizontal wells may be located anywhere within the Unit provided that the completed interval is no closer than 330 feet from the outer boundary of the expanded Nageezi Unit area.

(3) Under Division Order No. R-13856 issued on July 1, 2014 in Case No. 15153, the Division approved the Nageezi Unit in the Mancos formation comprising 9135 acres, more or less, of federal, state, allotted Indian, and fee lands and created a new oil pool for horizontal wells within the Unit Area designated the Nageezi Unit Hz Oil Pool.

(4) The Nageezi Unit became effective on July 22, 2014 after final approval by the Bureau of Land Management ("BLM"), the Federal Indian Minerals Office ("FIMO"), and the State Land Office ("SLO").

(5) Encana personnel have met with land owners and have proposed expansion of the Unit with the addition of two (2) sections of land detailed below.

(6) The Unit Area for the expanded Nageezi Unit will consist of 10,415.12 acres, more or less, and will encompass the following lands in San Juan County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM

Section 21: S/2
Section 22: S/2
Section 23: S/2
Section 25: All (added acreage)
Section 26: All
Section 27: All
Section 28: All
Section 33: All
Section 34: All
Section 35: All
Section 36: All (added acreage)

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 1: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)
Section 2: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)
Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)
Section 4: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)
Section 5: Lots 1, 2, S/2 NE/4, SE/4 (E/2)
Section 9: All
Section 10: All
Section 11: NW/4

(7) The tracts to be added to the Nageezi Unit comprise portions of Federal Lease B-10889 and State Trust Lease V0-8996.

(8) Except for changes to Exhibits A and B to the Unit Agreement, all other provisions of the Unit Agreement remain the same as prior to the expansion, including the Unitized Interval and the Effective Date.

(9) Notice of this application was provided to all working interest owners in the Unit Area after it is expanded and to all affected parties within the two sections to be added.

Notice was also provided to the affected parties in those lands surrounding the two sections. No protests to this application were received.

(10) All working interest owners have indicated verbally that they would approve the revised Joint Operating Agreement that governs operations within the expanded Unit. The BLM and the SLO have provided letters of preliminary approval of the expanded Unit.

(11) The geology of the Unitized Interval is continuous and extends across the expanded Unit. There are no faults, pinch-outs, or other geologic impediments that isolate Sections 25 and 36 from the original Unit Area or would suggest creation of a separate pool.

(12) The application to amend Division Order No. R-13856 to expand the Nageezi Unit and the corresponding Nageezi Unit Hz Oil Pool will prevent waste and protect correlative rights and should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Encana Oil & Gas (USA) Inc. to amend Division Order No. R-13856 to expand the geographic area of the Nageezi Federal/State/Allotted Indian/Fee Exploratory ("Nageezi") Unit by two sections of land and expand the corresponding Nageezi Unit Hz Oil Pool to the bounds of the new Unit boundaries is hereby approved.

(2) The Unit Area for the expanded Nageezi Unit shall consist of 10,415.12 acres, more or less, covering the following lands in San Juan County, New Mexico:

TOWNSHIP 24 NORTH, RANGE 9 WEST, NMPM

Section 21:	S/2
Section 22:	S/2
Section 23:	S/2
Section 25:	All (added acreage)
Section 26:	All
Section 27:	All
Section 28:	All
Section 33:	All
Section 34:	All
Section 35:	All
Section 36:	All (added acreage)

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 1:	Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)
Section 2:	Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)

Section 3: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)
Section 4: Lots 1, 2, 3, 4, S/2 N/2, S/2 (All)
Section 5: Lots 1, 2, S/2 NE/4, SE/4 (E/2)
Section 9: All
Section 10: All
Section 11: NW/4

(3) The Nageezi Unit Oil Pool (Pool Code 47540) is hereby expanded to include all lands within the Unit Area described above. This pool shall be automatically expanded or contracted to coincide with the horizontal and vertical extent of the Nageezi Unit as it may in the future be contracted or expanded.

(4) Any horizontal well drilled within this expanded Unit may be located anywhere within the Unit provided that the completed interval of that well is located no closer than 330 feet from the outer boundary of the Unit area.

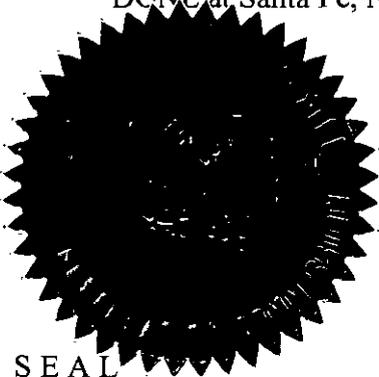
(5) All provisions of Division Order No. R-13856 not in conflict with this order shall remain in full force and effect.

(6) All: (i) plans of development and operation; and (ii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(7) This Order No. R-13856-A allowing the Nageezi Unit expansion shall become effective December 1, 2015, or the first day of the month following final approval of the expanded Unit Agreement by the Bureau of Land Management and the State Land Office whichever is later. Encana shall immediately inform the Division's Aztec district office and the Division's Santa Fe office of these dates.

(8) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DAVID R. CATANACH
Director