

**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. 15337 (Reopened)
ORDER NO. R-14067-A**

**APPLICATION OF ENCANA OIL AND GAS (USA) INC. TO AMEND ORDER
NO. R-14067 TO EXPAND THE VENADO CANYON UNIT, SANDOVAL
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 9, 2016, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 11th day of August, 2016, 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 and Gas (USA) Inc. ("Encana") requests to amend Division Order No. R-14067 to expand the Venado Canyon Unit ("Unit") and to expand the corresponding Lybrook-Gallup Oil Pool (pool code 42289) to the expanded Unit boundaries.
- (3) Under Division Order No. R-14067 issued on October 29, 2015 in Case No. 15337, the Division approved the Venado Canyon Unit in the Mancos formation comprising 4,320 acres, more or less, of federal and fee lands for horizontal wells within the Unit Area. The associated Unit pool was designated by the Aztec district office of the Division as the Lybrook-Gallup Oil Pool (pool code 42289).
- (4) Under the terms of Order No. R-14067, Division approval of the Venado Canyon Unit became effective on the first day of the month following entry of Order No. R-14067 or upon final approval of the Unit by the Bureau of Land Management, whichever is later.

(5) BLM gave final approval of the Unit on December 14, 2015.

(6) The proposed expansion of the Unit includes 680 acres of unleased federal land and 280 acres of land leased by Encana and Robert L. Bayless Producer, LLC. comprising the SE/4 of Section 15, N/2 of Section 22, E/2 of Section 23 and NW/4 of Section 24, all in Township 22 North, Range 6 West, NMPM, Sandoval County, New Mexico.

(7) The expanded Venado Canyon Unit will consist of 5,280.00 acres, more or less, and will encompass the following Federal and Fee lands in Sandoval County, New Mexico:

TOWNSHIP 22 NORTH, RANGE 6 WEST, NMPM

Section 1:	S/2
Section 10:	E/2, SW/4
Sections 11 - 15:	All
Section 22:	N/2
Section 23:	All
Section 24:	N/2

(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. The effective date of this Unit as per the Unit Agreement is November 1, 2014. The only wells to be included as "Unit Wells" are those wells containing one or more laterals drilled, completed, or recompleted so the horizontal component of the completion interval extends at least 1000 feet in the objective formation. All existing and future vertical wells are excluded from this Unit.

(9) The resulting expanded Unit Area includes 6 federal tracts comprising 97% of the Unit. There is also one fee tract comprising 3% of the Unit.

(10) Notice of the application and a copy of the Unit Agreement was provided to all working interest owners and to all overriding royalty interest owners within the expanded Unit Area.

(11) No other parties appeared or otherwise opposed this application.

(12) The BLM has given preliminary approval of the expanded Unit.

(13) 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 lands within the Unit Area or would suggest creation of a separate pool.

(14) The application to amend Division Order No. R-14067 to expand the Venado Canyon Unit and the corresponding Lybrook-Gallup (Oil) Pool will prevent waste and protect correlative rights.

(15) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Encana Oil and Gas (USA) Inc. to amend Division Order No. R-14067 to expand the Venado Canyon Unit to the new Unit boundary is hereby approved.

(2) The Venado Canyon Unit shall comprise 5,280.00 acres, more or less, of Federal and fee lands in Sandoval County, New Mexico, and be described as follows:

TOWNSHIP 22 NORTH, RANGE 6 WEST, NMPM

Section 1:	S/2
Section 10:	E/2, SW/4
Sections 11 – 15,	All
Section 22:	N/2
Section 23:	All
Section 24:	N/2

(3) This Order shall be effective on the first day of the month following entry of this order or upon final approval of the Unit by the BLM, whichever is later.

(4) Final approval of the Unit given by the BLM is December 14, 2015.

(5) Encana Oil and Gas (USA) Inc. (OGRID 282327) is hereby designated the Unit operator.

(6) Pursuant to the Unit Agreement, the Unitized Interval shall include all formations from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of the Mesaverde Group) to the stratigraphic equivalent of the base of the Greenhorn Limestone as shown in the Double Ought 1 Well (API No. 30-043-20089) located in Unit Letter N, Section 12, Township 22 North, Range 6 West, NMPM, Sandoval County, New Mexico.

(7) Unit Wells shall be those wells allowed in the Unit Agreement.

(8) All existing and future wells within the horizontal limits of this Unit but not designated per the agreement as Unit Wells shall remain dedicated and subject to the requirements of existing pools or statewide rules.

(9) The Unit shall constitute a single Project Area for horizontal oil well development pursuant to Division Rule 19.15.16.7.L (2) NMAC; provided however, the Project Area shall be limited to Unit Wells.

(10) Applicant/s request for all Unit Wells to be dedicated to one pool is hereby

approved. All horizontal oil wells of at least 1000 feet lateral length drilled and completed in the Mancos formation within the Unit Area and after the effective date shall be dedicated to the existing Lybrook-Gallup (Oil) Pool. The Aztec District Office of the Division may expand or contract the Pool without notice or hearing if the boundaries of the Unit are altered. The vertical limits of this pool shall extend from 100 feet below the stratigraphic equivalent of the top of the Mancos Shale (base of the Mesaverde Group) as defined at a depth of approximately 4330 feet below surface to the stratigraphic equivalent of the base of the Greenhorn Limestone as defined at a depth of 6200 feet below the surface as shown on the log run on the Tesoro Petroleum Corporation Double Ought Well No. 1 (API 30-043-20089) located in Unit Letter N, Section 12, Township 22 North , Range 6 West, NMPM, Sandoval County, New Mexico.

(11) The Lybrook-Gallup (Oil) Pool shall be subject to Division Rules 19.15.15.9, 19.15.16.14B(3), and 19.15.20.12A NMAC; provided however, the following stipulations shall apply to Unit Wells:

- a. The Unit Operator shall submit to the Division Form C-102 for each Unit Well that shows the drilling block for that particular well (each standard-sized oil spacing unit penetrated by the well), the total acreage within the Unit and the Division order number approving the Unit; and
- b. As per the Applicant's request, any Unit Well may be drilled anywhere within the Unit provided that no portion of the completed interval is closer than 330 feet to the outer boundary of the Unit unless otherwise approved by the Division pursuant to Division Rule 19.15.15.13 NMAC.

(12) Should a new pool for Mancos development be formed that encompasses the area of the Venado Canyon Unit, then the existing pool for Unit Wells will be contracted, and the Venado Canyon Unit Wells shall be incorporated into that new Mancos Pool. In that event, the operator of the Venado Canyon Unit shall file the necessary forms with the Division to dedicate those wells to the new pool.

(13) The plan contained within the Venado Canyon Unit Agreement for the development and operation of the Unit is hereby approved in principle as a proper conservation measure. All plans of development for the Venado Canyon Unit shall be submitted annually to the Division for review.

(14) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit Area, the Unit operator shall file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(15) Applicant shall provide inter-well communication data within the Unit to the Aztec District office of the Division no later than 18 months after the effective date of this order.

(16) All other provisions of Order No. R-14067 are still in full force and effect.

(17) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "David R. Catanach".

DAVID R. CATANACH
Director