

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



New Mexico Oil Conservation Division approval and conditions
listed below are made in accordance with OCD Rule 19.15.7.11
and are in addition to the actions approved by BLM on the
following 3160-4 or 3160-5 form.

Operator Signature Date: 7-11-2013

Application Type:

☐ P&A ☒ Drilling/Casing Change ☐ Recomplete/DHC
☐ Location Change ☐ Other: _____

Well information:

API WELL #	Well Name	Well #	Operator Name	Type	Stat	County	Surf. Owner	UL	Sec	Twp	N/S	Rng	W/E	Feet	NS	Ft	EW
30-043-21152-00-00	LYBROOK E27 2306	001H	ENCANA OIL & GAS (USA) INC.	O	N	Sandoval	F	E	27	23	N	6	W	1569	N	199	W

Conditions of Approval:

Notify NMOCD 24hrs prior to beginning operations.
Hold C104 for NSL, directional survey, and "As drilled" plat

AUG 27 2013

NMOCD Approved by Signature

Date

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CONFIDENTIAL

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM 112953

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit of CA/Agreement, Name and/or No.
N/A

8. Well Name and No.
Lybrook E27-2306 01H

9. API Well No.

3004321152

10. Field and Pool or Exploratory Area
Counselors Gallup-Dakota

11. Country or Parish, State
Sandoval, New Mexico

SUBMIT IN TRIPLICATE – Other instructions on page 2.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator
Encana Oil & Gas (USA) Inc.

3a. Address
370 17th Street, Suite 1700
Denver, CO 80202

3b. Phone No. (include area code)
720-876-3567

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
SHL: 1569' FNL and 199' FWL Section 27, T23N, R6W
BHL: 550' FNL and 330' FWL Section 28, T23N, R6W

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Removal of pilot hole
	<input checked="" type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Encana Oil & Gas (USA) Inc. (Encana) wishes to remove the pilot hole from this well. Please see attached wellbore diagram and 10-point drilling plan for details. Estimated spud date is October 27, 2013.

RCVD AUG 21 '13
OIL CONS. DIV.
DIST. 3

14. I hereby certify that the foregoing is true and correct.

Name (Printed/Typed)

Catherine Anadu

Title Regulatory Analyst

Signature

Date

7/11/2013

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

AFM

Date

8/13/13

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

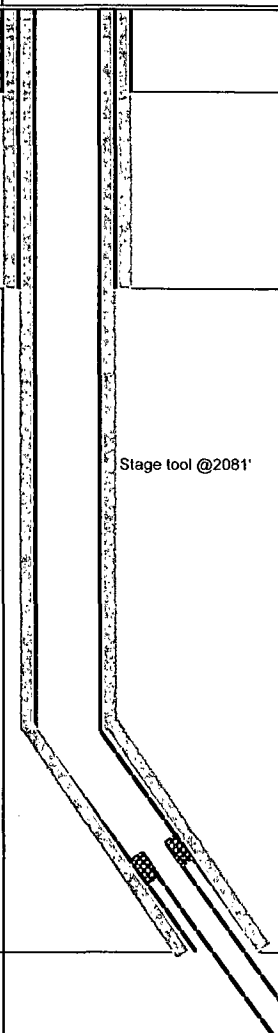
Office

FFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

NMCO

LOC: Sec 27-T23N-R6W County: Sandoval WELL: Lybrook E27-2306 01H			Encana Natural Gas WELL SUMMARY			<div>encana</div>		ENG: 7/11/13 RIG: GLE: 7054 RKBE: 7067	
MWD LWD	OPEN HOLE LOGGING	FORM	DEPTH TVDMD			HOLE SIZE	CASING SPECS	MW MUD TYPE	DEVIATION INFORMATION
			60	60'		30	20" 94# 100sx Type I Neat 48.8ppg cmt	Fresh wtr 8.3-9.2	
Surveys After csg is run	None					12 1/4	9 5/8" 36ppf J55 STC TOC @ surface 178 sks Type III Cmt	Fresh wtr 8.4-8.6	Vertical <1°
Surveys every 500'	No OH logs	Ojo Alamo Kirtland	1474 1630			8 3/4	7" 26ppf J55 LTC TOC @ surface 30% OH excess: 657 sksTotal. Stage 1 Lead : 281sks Premium Lite FM + 3% CaCl2 + 0.25/sk Cello Flake + 5#/sk LCM-1 + 8% Bentonite + 0.4% FL- 52A + 0.4% Sodium Metasilicate. Mixed at 12.1 ppg. Yield 2.13 cuft/sk. Stage 1 Tail : 192sks Type III Cement + 1% CaCl2 + 0.25#/sk Cello Flake + 0.2% FL-52A. Mixed at 14.6 ppg. Yield 1.38 cuft/sk. Stage 2: 184 sks Premium Lite FM + 3% CaCl2 + 0.25/sk Cello Flake + 5#/sk LCM-1 + 8% Bentonite + 0.4% FL-52A + 0.4% Sodium Metasilicate. Mixed at 12.1 ppg. Yield 2.13 cuft/sk.	Fresh Wtr 8.5-8.8	Vertical <1° KOP 4935 10 deg/100'
		Fruitland Coal	1849						
		Pictured Cliffs Ss Lewis Shale	2031 2154						
		Cliffhouse Ss Menefee Fn	2893 3577						
	Mud logger onsite	Point Lookout Ss Mancos Sh	4277 4478						
		KICK OFF PT	4935						
		Mancos Silt	5095						
		Gallup Top	5339						
			5581	6450					
Surveys every 500' Gyro at CP MWD Gamma Directional	No OH Logs	horz target	5584	6616		6 1/8	200' overlap at liner top		.25deg updip 5560'TVD TD = 11171' MD
		Base Gallup	5636				4555' Lateral	8.6-9.0 OBM	
							4 1/2" 11.6ppf SB80 LTC Running external swellable csg packers for isolation of prod string Plan on setting top packer within 100' of intermediate casing shoe	Switch to OBM 8.6-9.0	

NOTES:

- 1) Drill with 30" bit to 60', set 20" 94# conductor pipe
- 2) Drill surface to 500', R&C 9 5/8" casing
- 3) N/U BOP and surface equipment
- 4) Drill to KOP of 4935', 8 3/4" hole size,
- 5) PU directional tools and start curve at 10deg/100' build rate
- 6) Drill to casing point of 6450' MD
- 7) R&C 7" casing, circ cmt to surface, switch to OBM
- 8) Land at 90deg, drill 4555' lateral to 11171', run 4 1/2" liner with external swellable csg packers

Lybrook E27-2306 01H
SHL: SWNW Section 27, T23N, R6W
1569 FNL and 199 FWL
BHL: NWNW Section 28, T23N, R6W
550 FNL and 330 FWL
Sandoval County, New Mexico
Lease Number: NMNM 112953

**Encana Oil & Gas (USA) Inc.
Drilling Plan**

1. ESTIMATED TOPS OF GEOLOGICAL MARKERS (TVD)

The estimated tops of important geologic markers are as follows:

<u>Formation</u>	<u>Depth (TVD)</u>
Ojo Alamo Ss.	1474'
Kirtland	1630'
Fruitland Coal	1849'
Pictured Cliffs	2031'
Lewis	2154'
Cliffhouse	2893'
Menefee	3577'
Point Lookout	4277'
Mancos Shale	4478'
Mancos Silt	5095'
Gallup	5339'

The referenced surface elevation is 7054', KB 7067'

2. ESTIMATED DEPTH OF POTENTIAL WATER, OIL, GAS, & OTHER MINERAL BEARING FORMATIONS

<u>Substance</u>	<u>Formation</u>	<u>Depth (TVD)</u>
Gas	Fruitland Coal	1849'
Gas	Pictured Cliffs	2031'
Gas	Cliffhouse	2893'
Gas	Point Lookout	4277'
Oil/Gas	Mancos	4478'

All shows of fresh water and minerals will be reported and protected.

3. PRESSURE CONTROL

- a) Pressure control equipment and configuration will be designed to meet 2M standards.
- b) Working pressure on rams and BOPE will be 3,000 psi
- c) Function test and visual inspection of the BOP will be conducted daily and noted in the IADC Daily Drilling Report.
- d) The Annular BOP will be pressure tested to a minimum of 50 percent of its rated working pressure.
- e) Blind and Pipe Rams/BOP will be tested against a test plug to 100 percent of rated working pressure.
- f) Pressure tests are required before drilling out from under all casing strings set and cemented in place.
- g) BOP controls must be installed prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned.
- h) BOP testing procedures and testing frequency will conform to Onshore Order No. 2.

Lybrook E27-2306 01H

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- i) BOP remote controls shall be located on the rig floor at a location readily accessible to the driller. Master controls shall be on the ground at the accumulator and shall have the capability to function all preventers.
- j) The kill line shall be 2-inch minimum and contain two kill line valves, one of which shall be a check valve.
- k) The choke line shall be a 2-inch minimum and contain two choke line valves (2-inch minimum).
- l) The choke and manifold shall contain two adjustable chokes.
- m) Hand wheels shall be installed on all ram preventers.
- n) Safety valves and wrenches (with subs for drill string connections) shall be available on the rig floor at all times.
- o) Inside BOP or float sub shall also be available on the rig floor at all times.

Proposed BOP and choke manifold arrangements are attached.

4. CASING & CEMENTING PROGRAM

The proposed casing and cementing program has been designed to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use. The casing setting depth shall be calculated to position the casing seat opposite a competent formation which will contain the maximum pressure to which it will be exposed during normal drilling operations. All indications of useable water shall be reported.

- a) The proposed casing design is as follows:

Casing	Depth	Hole Size	Csg Size	Weight	Grade
Conductor	0-60'	30"	20"	94#	H40, STC New
Surface	0'-500'	12 1/4"	9 5/8"	36#	J55, STC New
Intermediate	0'-6450'MD	8 3/4"	7"	26#	J55, LTC New
Production Liner	6250'-11171'MD	6 1/8"	4 1/2"	11.6#	B80*, LTC New

Casing String				Casing Strength Properties			Minimum Design Factors		
Size	Weight (lb/ft)	Grade	Connection	Collapse (psi)	Burst (psi)	Tensile (1000lb)	Collapse	Burst	Tension
9 5/8"	36	J55	STC	2020	3520	394	1.125	1.1	1.5
7"	26	J55	LTC	4320	4980	367	1.125	1.1	1.5
4 1/2"	11.6	B80	LTC	6350	7780	201	1.125	1.1	1.5

*B80 pipe specifications are attached

Casing design is subject to revision based on geologic conditions encountered.

All casing strings below the conductor shall be pressure tested to 0.22 psi per foot of casing string length or 1,500 psi, whichever is greater, but not to exceed 70 percent of the minimum internal yield. If pressure declines more than 10 percent in 30 minutes, corrective action shall be taken.

- b) The proposed cementing program is as follows:

Top plugs shall be used to reduce contamination of cement by displacement fluid. A bottom plug or other acceptable technique, such as a pre-flush fluid, inner string cement method, etc. shall be utilized to help isolate the cement from contamination by the mud fluid being displaced ahead of the cement slurry.

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Casing	Depth	Cement Volume (sacks)	Cement Type&Yield	Designed TOC	Centralizers
Conductor	60'	100sk	Type I Neat 14.8 ppg	Surface	None
Surface	500'	178sk	Type III Cement + 1% CaCl + 0.25lb/sk Cello Flake + 0.2% FL, 14.6ppg, 1.38cuf/sk	Surface	1 per joint on bottom 3 joints
Intermediate	6450'MD	30% open hole excess Stage 1 Lead: 281sks Stage 1 Tail: 192sks Stage 2 Lead: 184sks	Lead (Stages 1 and 2): PremLite + 3% CaCl + 0.25lb/sk CelloFlake + 5lb/sk LCM, 12.1ppg 2.13cuf/sk Tail (Stage 1): Type III Cmt + 1% CaCl + 0.25lb/sk Cello Flake 14.5ppg 1.38cuf/sk	Surface	1 per joint for bottom 3 joints, 1 every 3 joints for remaining joints
Production Liner*	6250'-11171'	None – External casing packers	N/A	N/A	N/A

*Production liner clarification: Utilizing external swell casing packer system for zonal isolation will not use cement in the production liner.

Actual volumes will be calculated and determined by conditions onsite. All cement slurries will meet or exceed minimum BLM and New Mexico Oil Conservation Division requirements. Slurries used will be the slurries listed above or equivalent slurries depending on service provider selected. Cement yields may change depending on slurries selected.

All waiting on cement times shall be a minimum of 8 hours or adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.

5. WELL PLAN & DIRECTIONAL DRILLING PROGRAM

The proposed horizontal well will have a kick off point of 4935'. Directional plans are attached.

Description	Proposed Depth (TVD/MD)	Formation
Horizontal Lateral TD	5560/11171'	Gallup

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6. DRILLING FLUIDS PROGRAM

a) Surface through Intermediate Casing Point:

Hole Size (in)	Depth (ft)	Mud Type	Density (lb/gal)	Viscosity (sec/qt)	Fluid Loss (cc)
30"	0-60' TVD	Fresh Water	8.3-9.2	38-100	4-28
12 1/4"	0-500' TVD	Fresh Water	8.4-8.6	60-70	NC
8 3/4"	500'TVD- 5581'TVD/6450'MD	Fresh Water LSND	8.5-8.8	40-50	8-10

b) Intermediate Casing Point to TD:

Hole Size (in)	MD (ft)	Mud Type	Density (lb/gal)	Viscosity (sec/qt)	Fluid Loss (cc)
6 1/8"	6450'-11171'	Synthetic Oil Based Mud	8.6-9.0	15-25	<15

- c) There will be sufficient mud on location to control a blowout should one occur. Mud flow and volume will be monitored both visually and with electronic pit volume totalizers. Mud tests shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.
- d) A closed-loop system will be used to recover drilling fluid and dry cuttings in both phases of the well and on all hole intervals, including fresh water and oil-based operations. Above-ground tanks will be utilized to hold cuttings and fluids for rig operations. A frac tank will be on location to store fresh water. Waste will be disposed of properly at an EPA-approved hazardous waste facility. Fresh water cuttings will be disposed of at Basin Disposal, Inc. and/or Industrial Ecosystems, Inc. The location will be lined in accordance with the Surface Use Plan of Operations.

7. TESTING, CORING and LOGGING

- a) Drill Stem Testing – None anticipated
- b) Coring – None anticipated.
- c) Mud Logging – Mud loggers will be on location from kick off point to TD.
- d) Logging – See Below

Cased Hole:

CBL/CCL/GR/VDL will be run as needed for perforating control

8. ABNORMAL PRESSURES & HYDROGEN SULFIDE

The anticipated bottom hole pressure is +/- 2613 psi based on a 9.0 ppg at 5584' TVD of the landing point of the horizontal lateral. No abnormal pressure or temperatures are anticipated.

No hydrogen sulfide gas is anticipated, however, if H₂S is encountered, the guidelines in Onshore Order No. 6 will be followed.

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9. ANTICIPATED START DATE AND DURATION OF OPERATIONS

Drilling is estimated to commence on October 27, 2013. It is anticipated that completion operations will begin within 30 days after the well has been drilled depending on fracture treatment schedules with various pumping service companies.

It is anticipated that the drilling of this well will take approximately 25 days.