

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☒ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify Exception to special Pool Rules

Encana Oil & Gas
 Escrito E07-2409 #1H
 30-045-35432

[1 of 2 wells in N/2
 of Sec. 12]

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Michael H. Feldewert
 Print or Type Name

Signature

Title

Date

Attorney
 mfeldewert@hollandnart.com
 e-mail Address

11/08/13



November 8, 2013

VIA HAND DELIVERY

Jami Bailey
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an Exception to Rule 2 of the Special Rules for the Bisti-Lower Gallup Oil Pool for the N/2 of Section 12, Township 24 North, Range 10 West, N.M.P.M., San Juan County, New Mexico.

Dear Ms. Bailey:

Encana Oil & Gas (USA) Inc. (OGRID No. 282327) owns a working interest in one federal lease covering the N/2 of Section 12, Township 24 North, Range 10 West, NMPM, San Juan County, New Mexico. This acreage is governed by the Special Rules and Regulations for the Bisti-Lower Gallup adopted under Division Order R-1069-B. Rule 2 of these Special Rules limit the orientation of the approved 80-acre spacing units to either the N/2 or the S/2 of a single governmental quarter section. Applicant seeks an exception to Rule 2 for the N/2 of Section 12 to allow 80-acre standup spacing units comprised of the E/2 or the W/2 of a single governmental quarter section. Approval of this application will allow the Applicant to create a 320-acre project area comprised of the N/2 of Section 12 for for two proposed laydown horizontal wells.

Rule 4 of the Special Rules authorizes the "Secretary-Director of the Commission" to grant administrative exceptions to Rule 2 so long as there are no objections by offsetting operators within one-half mile of the subject area. Approval of this application will allow a standup pattern of 80-acre spacing units for the entire N/2 of Section 12, allow Encana to follow the existing "laydown" horizontal well development pattern that exists in the the S/2 of Section 12, and provide for more efficient development of this area with horizontal wells. The Division has previously approved "standup" 80-acre non-standard spacing units in the Bisti-Lower Gallup Pool for similar projects under Administrative Orders NSP-1760(L) and NSP-1966.



The following exhibits are provided with this application:

Exhibit A contains the proposed Amended C-102 plats for the two horizontal wells applicants seek to drill in the N/2 of Section 12 (the Escrito E07-2409 01H and the Escrito E07-2409 02H well).

Exhibit B is a plat showing the leases in Section 12 and within one-half mile of the N/2 of Section 12.

Exhibit C is a list of the operators in and within one-half mile of the N/2 of Section 12 Pursuant to Rule 4 of the Special Rules for the Bisti-Lower Gallup Oil Pool, copy of this application with all attachments has been sent by certified mail to each of these affected parties advising them that if they have an objection they must file it in writing with the division within 20 days from the date the division receives this application.

Your attention to this matter is appreciated.

Sincerely,

Michael H. Feldewert
ATTORNEY FOR ENCANA OIL & GAS (USA).

cc: David K. Brooks, Oil Conservation Division

District II
811 S. First Street, Artesia, NM 88210
Phone (575) 748-1283 Fax (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6176 Fax: (505) 334-5170

District IV
1220 S. St. Francis Drive, Santa Fe, NM 87505
Phone (505) 476-3460 Fax (505) 476-3462

OIL CONSERVATION DIVISION

1220 South St. Francis Drive
Santa Fe, NM 87505

Submit one copy to
Appropriate District Office

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

'API Number' 30-045-35432	'Pool Code' 5890	'Pool Name' BISTI LOWER - GALLUP
'Property Code'	'Property Name' ESCRITO E07-2409	'Well Number' 01H
'UGRID No' 282327	'Operator Name' ENCANA OIL & GAS (USA) INC.	'Elevation' 6876'

10 Surface Location

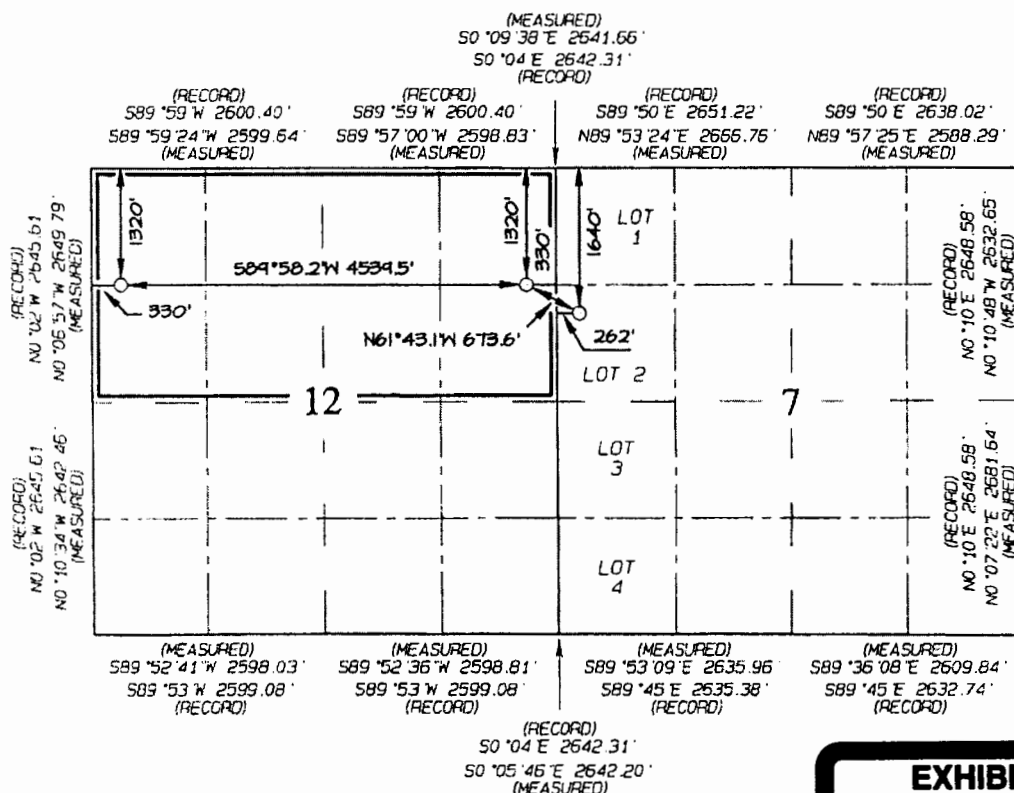
Lot or lot no	Section	Township	Range	Lot 1st	Feet from the	North/South line	Feet from the	East/West line	County
E	7	24N	9W	2	1640	NORTH	262	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

U. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	12	24N	10W		1320	NORTH	330	WEST	SAN JUAN

12 Dedicated Acres	320.0 Acres N/2 - Section 12	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



END OF LATERAL
1320 FNL 330 FWL
SECTION 12, T24N, R10W
LAT: 36 33217 N
LONG: 107 85520 W
DATUM: NAD1927

LAT 35 33219 'N
LONG. 107.85582 'W
DATUM: NAD1983

POINT-OF-ENTRY
1320' FNL 330' FEL
SECTION 12. T24N. R10W
LAT: 36.33218°N
LONG: 107.83979°W
DATUM: NAD1927

LAT: 36.33219°N
LONG: 107.84041°W
DATUM: NAD1983

SURFACE LOCATION
1640' FNL 262' FWL
SECTION 7, T24N, R9W
LAT: 36 33131'N
LONG: 107.83777'W
DATUM: NAD1927

LAT: 36.33132 °N
LONG: 107.83839 °W
DATUM: NAD1983

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract entered into with a mineral or working interest or a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature Holly Hill Date 10/17/13
Holly Hill

Printed Name
holly.hill@encana.com

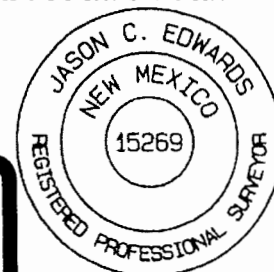
E-mail Address

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date Revised: OCTOBER 17, 2013
Date of Survey: JULY 9, 2012

Signature and Seal of Professional Surveyor

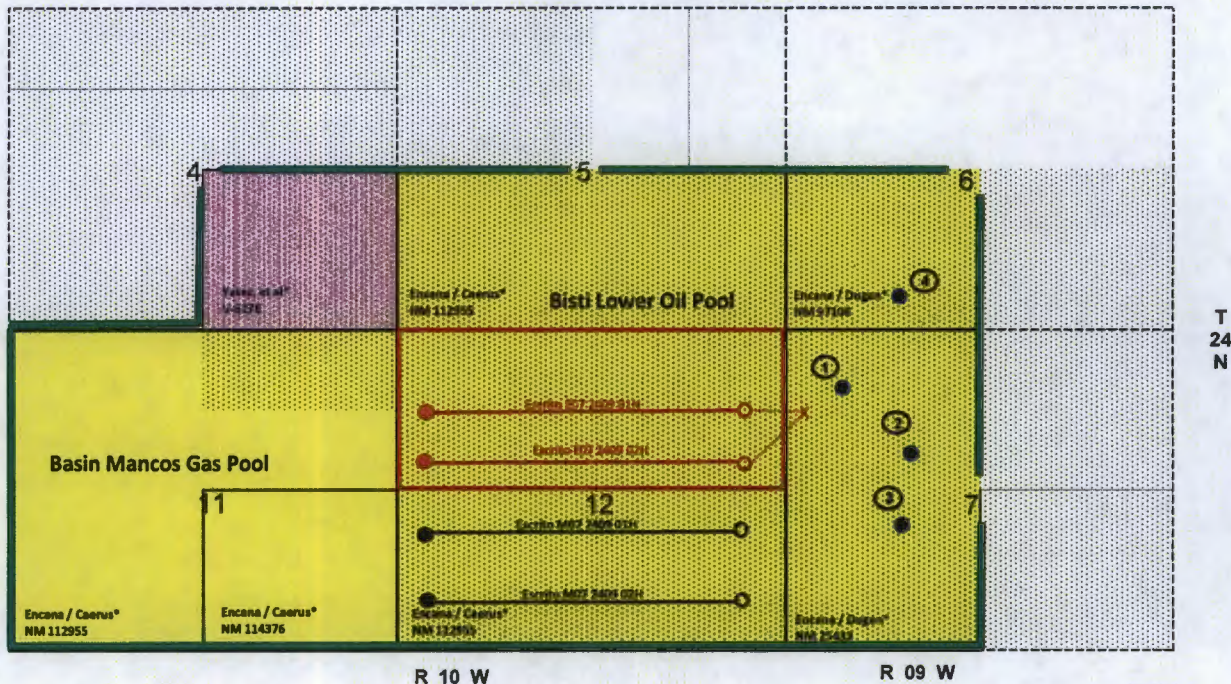
**EXHIBIT**

A-1

SON C. EDWARDS
Certificate Number 15269

Exhibit B

Encana Oil & Gas (USA) Inc.
Application for Exception to Rule 2
Non-Standard Spacing Units
Bisti Lower Gallup Oil Pool
San Juan County, New Mexico



- Encana Leases
- Non-Encana Leases
- Bisti Lower Gallup Oil Pool
- Basin Mancos Gas Pool

Project Area - T24N-R10W, Section 12 N2

Escrito E07 2409 01H

Surface Location 1640' FNL 262' FWL Section 07, 24N-09W
Gallup Penetration Point 1320' FNL, 330' FEL Section 12, 24N-10W
Bottomhole Location 1320' FNL, 330' FWL, Section 12, 24N-10W

Escrito E07 2409 02H

Surface Location 1670' FNL 262' FWL Section 07, 24N-09W
Gallup Penetration Point 2270' FNL, 330' FEL Section 12, 24N-10W
Bottomhole Location 2270' FNL, 330' FWL, Section 12, 24N-10W

Existing Bisti Gallup Wells in Notice Area

- (1) Sideen Gs #1
1850' FNL, 990' FWL Sec 7 - 24N-09W
Bisti Lower Gallup
Dugan Production Corp.
- (2) Sideen Gs #3
660' FNL, 1950' FWL Sec 7 - 24N-09W
Bisti Lower Gallup
Dugan production Corp
- (3) Sideen Gs #4
1980' FNL, 2100' FWL Sec 7 - 24N-09W
Bisti Lower Gallup
Dugan Production Corp.
- (4) Sanchez O'Brien #1
1650' FNL, 990' FWL Sec 6 - 24N-09W
Bisti Lower Gallup
Dugan Production Corp

* Ownership reflected represents 100% leasehold working interest in the Gallup / Mancos formation underlying each tract which is the subject of this Application



Exhibit C

Application of Encana Oil and Gas (USA) Inc. for administrative approval of an Exception to Rule 2 of the Special Rules for Bisti-Lower Gallup Oil Pool: Escrito E07-2409 01H and 02H wells

Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

OXY Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046-0506

ABO Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

Myco Industries, Inc.
423 West Main Street
Artesia, NM 88210

Dugan Production Corp.
709 East Murray Drive
Farmington, NM 87401-6649

Caerus Southern Rockies, LLC
600 Seventeenth Street, Suite 1600 N
Denver, CO 80202

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.

SUBMIT IN TRIPLICATE – Other instructions on page 2.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other	APR 05 2013	5. Lease Serial No. NMNM 112955
2. Name of Operator Encana Oil & Gas (USA) Inc.	Farmington Field Office Bureau of Land Management	6. If Indian, Allottee or Tribe Name N/A
3a. Address 370 17th Street, Suite 1700 Denver, CO 80202	3b. Phone No. (include area code) 720-876-5353	7. If Unit of CA/Agreement, Name and/or No. N/A
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SHL: 1640' FNL and 262' FWL Sec 7, T24N, R9W BHL: 890' FNL and 330' FWL Sec 12, T24N, R10W		8. Well Name and No. Escrito E07-2409 01H
		9. API Well No. 30-045 35432
		10. Field and Pool or Exploratory Area Bisti Lower - Gallup
		11. Country or Parish, State San Juan, NM

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 type="checkbox"/> Other
	<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 recomplete 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 recompletion 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) would like to remove the pilot hole, shorten the lateral, change the BHL, reduce the PA, change the intermediate hole size and intermediate cementing plans Escrito E07-2409 01H well. Encana would like to shorten the lateral from 7135' to 4539', change the BHL from 890 FNL and 2265 FEL to 890' FNL and 330' FWL, reduce the PA from 240 acres to 160 acres, change the intermediate hole size from 8 1/2" to 8 3/4", and increase the intermediate cementing plans to accommodate the larger hole size. Please see attached 10 point drilling plan, wellbore diagram, directional plan, and C-102.

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

RCVD APR 12 '13
OIL CONS. DIV.
DIST. 3

CONDITIONS OF APPROVAL
Adhere to previously issued stipulations.
Hold C104

for Directional Survey
and "As Drilled" plat

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) Amie Weis	Title Drilling Engineer
Signature <i>Amie Weis</i>	Date 4/3/2013

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by <i>William Tambekou</i>	Title Petroleum Engineer	Date 04/08/2013
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 FFD	

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)

NMOCD A