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Ray Powell, M.S., D.V.M. 2013 AUG 30 P 2: 34  
COMMISSIONER

*State of New Mexico*  
*Commissioner of Public Lands*

310 OLD SANTA FE TRAIL  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE

Phone (505) 827-5760  
Fax (505) 827-5766  
www.nmstatelands.org

August 26, 2013

Encana Oil and Gas (USA) Inc.  
Republic Plaza, 370 17<sup>th</sup> Street, Suite 1700  
Denver, Colorado 80202

Attn: Mr. B. Wade McCool

Re: Final Approval  
Gallo Canyon Unit  
Sandoval County, New Mexico

Dear Mr. McCool:

Thank you for your letter of August 5, 2013 requesting final approval of the Gallo Canyon Unit Agreement Sandoval County, New Mexico.

It is our understanding that Tract No. 2 is not committed to the unit agreement at this time.

Attached with your letter of August 5, 2013 is NMOCD Case No. 14987, Order No. R-13718. The Bureau of Land Management granted final approval to the subject unit on August 8, 2013.

The Commissioner of Public Lands has this date granted final approval to the Gallo Canyon Unit Agreement effective August 26, 2013. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Please notify all interested parties of this action.

Enclosed are five (5) Certificates of Approval.

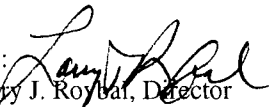
Your \$270.00 filing fee has been received.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:

  
Larry J. Roybal, Director  
Oil, Gas and Minerals Division  
(505) 827-5744  
RP/LR/pm  
cc: Reader File,  
OCD-Attention: Mr. Ed Martin  
TRD-Attn: Ms. Joan Ishimoto  
RMD-Attn: Mr. Kurt McFall



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington Field Office  
6251 College Blvd, Suite A  
Farmington, New Mexico 87402

IN REPLY REFER TO:

Gallo Canyon Unit  
Mancos Group (NMNM131017X)  
3180.1 (F0111)

August 8, 2013

Mr. B. Wade McCool  
Encana Oil and Gas (USA) Inc.  
Republic Plaza 370 17<sup>th</sup> Street, Suite 1700  
Denver, CO 80202

Dear Mr. McCool:

The Gallo Canyon Unit Agreement, Sandoval County, New Mexico was approved on August 8, 2013. This agreement has been assigned number NMNM131017X and is effective July 1, 2013.

The basic information is as follows:

1. No oil and gas has been produced from a horizontal Mancos Group formation well in the unit area. The initial obligation well and the area to be unitized were approved by letter dated April 1, 2013.
2. The Mancos Group defined in section 3 Unitized Land and Unitized Substances of the Gallo Canyon Unit Agreement as one hundred (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 formation is unitized.
3. The preexisting vertical Mancos Group wells and any future vertical Mancos Group wells drilled within the Gallo Canyon Unit area will be excluded from the Gallo Canyon Unit. The Gallo Canyon Unit is limited to wells containing a lateral or laterals drilled, completed or recompleted so that the horizontal component of the completion interval extends at least one hundred (100) feet in the objective formation.
4. The unit embraces 5,760 acres, more or less, of which 5,120 acres (88.89 percent) are Federal lands, and 640 acres (11.11 percent) are State lands.
5. The following Federal leases embrace lands within the unit area:

NMNM017009  
NMNM117564  
NMNM118128

All lands and interests are fully committed except Tract 2 totaling 640 acres (11.11%) which is non-committed. All parties owning interests within the unit were invited to join the unit agreement.

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In view of the foregoing commitment status, effective control of operations within the unit area is assured. We are of the opinion that the agreement is necessary and advisable in the public interest and for the purpose of more properly conserving natural resources.

A revised Plan of Development is required within 30 days of this approval to identify the location of the obligation well since tract 2 (section 27, T23N, R6W) is non-committed land.

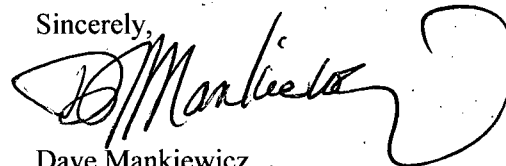
This unit provides for the drilling of an "obligation well" and subsequent drilling obligations pursuant to Section 9 of the unit agreement and the Plan of Development. The obligation well is considered to be a contractual commitment on the part of the Unit Operator. No extension of time beyond January 1, 2014 will be granted to commence the first obligation well other than "unavoidable delay" (Section 23), where justified. Any extension granted for "unavoidable delay" requires convincing written justification and documentation prior to the critical date, and is limited to 30 days with possible renewal for 30-day periods if the delay is extensive, with timely written documentation for each extension.

Pursuant to 43 CFR 3183.4(b) and Section 9 of the unit agreement, if the Public Interest Requirement is not fulfilled, the unit will be declared invalid and no lease committed to this agreement shall receive the benefits of 43 CFR 3107.3-2 and 3107.4.

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject leases which are committed hereto.

Copies of the approved agreement are being distributed to the appropriate Federal offices. You are requested to furnish all interested parties with appropriate evidence of this approval.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Mankiewicz", with a large, stylized loop at the end.

Dave Mankiewicz  
Assistant Field Manager of Minerals  
Bureau of Land Management

cc: Commissioner of Public Lands, Santa Fe, NM  
New Mexico Oil Conservation Division, Santa Fe, NM  
Office of Natural Resources Revenue



**Ray Powell, M.S., D.V.M.**  
**COMMISSIONER**

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May 8, 2013

Encana Oil & Gas (USA) Inc.  
Republic Plaza 370 17<sup>th</sup> Street, Suite 1700  
Denver, CO 80202

Attention: Mr. B. Wade McCool

Re: Preliminary Approval for Proposed Gallo Canyon Unit  
Sandoval County, New Mexico

Dear Mr. McCool:

This office has received your letter of April 30, 2013 wherein you have requested preliminary approval for the Gallo Canyon Unit area, Sandoval County, New Mexico. The proposed unit agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to SLO Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
  - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
  - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
  - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
  - d. That such unit agreement is in other respects for the best interest of the trust.

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Encana Oil & Gas (USA) Inc.

May 8, 2013

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3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation/concurrence from the Bureau of Land Management.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. The filing fee for a Unit Agreement is \$30.00 for every section or partial section thereof. Please submit a filing fee in the amount of \$270.00.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY: 

Larry J. Roybal, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/LR/pm

cc: Reader File,

OCD-Attention: Mr. Ed Martin

BLM Farmington-Attention: Mr. Wayne Townsend