

encana

RECEIVED

2014 JUN -1 P 2:57

June 30, 2014

Transmitted Via Certified Mail

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Larry Roybal, Director
Oil, Gas & Minerals Division
New Mexico State Land Office
PO Box 1148
Santa Fe, NM 87504

**Re: Change of Operator
NMOCD Order PLC-365-A
Jeffers Federal Gas Gathering System
San Juan County, New Mexico**

Dear Ms. Bailey and Mr. Roybal:

In reference to the letter dated April 3, 2014 regarding the transfer of operatorship of the Jeffers Federal Gas Gathering System (JFGS) from Dugan Production Corp. (Dugan) to Encana Oil & Gas (USA) Inc (Encana); Encana wishes to inform you we have assumed operations of the JFGS. Said transfer of operatorship was supported by Dugan in an executed Participation Statement dated March 17, 2014, which is enclosed for your records. Encana assumed physical operations of the JFGS in March of 2014, and has assumed the role of measuring, allocating and reporting of production for the three (3) wells currently connected to the JFGS effective June 1, 2014. A list of the three (3) wells approved for connection to the JFGS are more fully described on Attachment No. 1 attached herein. Furthermore, please note gas from the JFGS is then delivered to a Central Delivery Point (CDP) sales meter located in the NWSE of Section 3, T23N R8W (Elm Ridge Resources Meter No. 31685).

Additionally, for your records, please find enclosed a copy of the Bureau of Land Management's approval of Sundry for the transfer of operator from Dugan to Encana dated April 29, 2014.

Please feel free to contact me directly at 720-876-5331 with any questions or concerns.

Encana Oil & Gas (USA) Inc.


Holly Hill
Regulatory Analyst

Enc.

Encana Oil & Gas (USA) Inc.

370 17th Street, Suite 1700, Denver Colorado 80202 720.876.5331 (O) 303.521.2835 (C) holly.hill@encana.com

Attachment No. 1
Encana Oil Gas (USA) Inc.
Jeffers Federal Gas Gathering System
Transfer of Operator from Dugan to Encana
Central Delivery Sales Meter (Elm Ridge Meter #31685) NWSE of Sec. 3 T23N R8W
San Juan County, New Mexico

| Transfer of Operator from Dugan Production Corp. (Dugan) to Encana Oil & Gas (USA) Inc. (Encana) | | | | | | | | | | |
|--|-----------------------------|--------------|---------------------------------|--------------------------------------|--------------------------------|--|---------------------------------|-------------------|-----------------|-------------|
| Well Name and No. | Well Operator | API No. | Well Location UL-Sec-Twn-Rng | Communitization No. If Applicable | Project Area | Pool | Lease No. | Lease Type | Completion Date | Well Status |
| Jeffers Federal 2 # 23 | Dugan Production Corp. | 30-045-24439 | K-NESW-2-23N-08W | N/A | NESW Sec 2 23N 08W (40 acres) | Nageezi Gallup | NM 29560 | USA | 10/17/1980 | Completed |
| Jeffers Federal 2 # 23 | Dugan Production Corp. | 30-045-24439 | K-NESW-2-23N-08W | NMNM 112659 | S2 Sec 2 23N 08W (320 acres) | Basin Fruitland Coal | V-7843 & NM 29560 | USA & NM State | 09/01/2011 | Completed |
| Lybrook I02-2308 01H | Encana Oil & Gas (USA) Inc. | 30-045-35365 | I-NESE-2-23N-08W | NMNM 131072 | N2S2 Sec 2 23N 08W (160 acres) | Basin Mancos Pool & Nageezi Gallup Pool | V-7843 & NM 29560 | USA & NM State | 07/05/2013 | Completed |
| Lybrook I02-2308 02H | Encana Oil & Gas (USA) Inc. | 30-045-35492 | I-NESE-2-23N-08W | NMNM 131863 | S2 Sec 1 23N 08W (320 acres) | Basin Mancos Pool | NMNM 120374 & NMNM 118132 | USA | 02/24/2014 | Completed |

Participation Statement of Dugan Production Corp.
Jeffers Federal Gas Gathering System
San Juan County, New Mexico

Dugan Production Corp. is currently the operator of the Jeffers Federal Gathering System (JFGS) which was initially approved by the Bureau of Land Management on 11/30/12, the New Mexico Oil Conservation Division on 12/4/12 and the New Mexico State Land Office on 11/19/12. The following three wells are currently approved for operation on the JFGS;

Dugan's Jeffers Federal 2 #23 (API No. 30-045-24439) – Nageezi Gallup & Basin Fruitland Coal
Encana's Lybrook I02-2308 No 1H (API No. 30-045-35365) – Nageezi Gallup/Basin Mancos
Encana's Lybrook I02-2308 No. 2H (API No. 30-045-35492) – Basin Mancos

Gas from the JFGS is delivered to a CDP sales meter located in the NWSE Section 3, T-23N, R-8W (Elm Ridge Resources Meter No. 31685). It is proposed that Encana Oil & Gas (USA) Inc. assume operation of the JFGS under the terms and conditions originally approved. Dugan Production supports the change of operator to Encana and will continue to operate the Jeffers Federal 2 No. 23 as approved for the JFGS.

Signed by: John A. Alenak
for Dugan Production Corp.
Title: Vice President
Date: 3. 17. 2014

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

APR 04 2014

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

☐ Oil Well ☐ Gas Well ☒ Other Jeffers Federal Gas Gathering System

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

3a. Address
370 17th Street, Suite 1700
Denver, CO 80202 ATTN: HOLLY HILL

3b. Phone No. (include area code)
720-876-5331

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
See Attachment No. 1

7. If Unit of CA/Agreement, Name and/or No.
NMNM 131072 and NMNM 131863

8. Well Name and No.
See attached Exhibit 'A'

9. API Well No.
See Attachment No. 1

10. Field and Pool or Exploratory Area
See Attachment No. 1

11. Country or Parish, State
San Juan, New Mexico

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 Change of Operator |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon | for Jeffers Federal |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal | Gas Gathering System |

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 recomple 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) wishes to assume operations of the Jeffers Federal Gas Gathering System (JFGS). Dugan Production Corp. (Dugan) currently operates the JFGS which was initially approved by the Bureau of Land Management (BLM) on November 11, 2012; by the New Mexico Oil Conservation Division (NMOCD) on December 4, 2012 and by the New Mexico State Land Office (NMSLO) on November 19, 2012. Currently, naturally produced gas from three (3) wells are approved for connection to the JFGS and are more fully described on Attachment No. 1 attached herein. Gas from the JFGS is then delivered to a CDP sales meter located in the NWSE of Section 3, T23N R8W (Elm Ridge Resources Meter No. 31685). Dugan supports the change of Operator to Encana for the JFGS under the terms and conditions originally approved by the aforementioned agencies. Dugan's support is stipulated on the attached Participation Statement.

14. I hereby certify that the foregoing is true and correct.
Name (Printed/Typed)
Holly Hill

Title Regulatory Analyst

Signature

Date 04/03/2014

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

ACCEPTED FOR RECORD

Approved by

Title

Date

APR 29 2014

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

FARMINGTON FIELD OFFICE
BY: [Signature]

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)

encana

April 3, 2014

Transmitted Via Certified Mail

Ms. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Mr. Dave Evans, District Manager
Bureau of Land Management
6251 College Blvd., Suite A
Farmington, NM 87402

Mr. Larry Roybal, Director
Oil, Gas & Minerals Division
New Mexico State Land Office
PO Box 1148
Santa Fe, NM 87504

**Re: Change of Operator
NMOCD Order PLC-365-A
Jeffers Federal Gas Gathering System
San Juan County, New Mexico**

Dear Ms. Bailey, Mr. Evans and Mr. Roybal:

Encana Oil & Gas (USA) Inc. (Encana) wishes to assume operations of the Jeffers Federal Gas Gathering System (JFGS). Currently, Dugan Production Corp. (Dugan) operates the JFGS which was initially approved by the Bureau of Land Management (BLM) on November 11, 2012; by the New Mexico Oil Conservation Division (NMOCD) on December 4, 2012 and by the New Mexico State Land Office (NMSLO) on November 19, 2012. Currently, naturally produced gas from three (3) wells are approved for connection to the JFGS and are more fully described on Attachment No. 1 attached herein. Gas from the JFGS is then delivered to a Central Delivery Point (CDP) sales meter located in the NWSE of Section 3, T23N R8W (Elm Ridge Resources Meter No. 31685). Dugan supports the change of Operator to Encana for the JFGS; and Encana agrees to assume Operatorship under the terms and conditions originally approved by the aforementioned agencies. Dugan's support is stipulated on the attached Participation Statement.

The effective date of the transfer of operator shall be March 1, 2014, wherein, Encana will assume operation of the JFGS and gas measurement at the well sites for all three (3) wells described on Attachment No. 1. Therefore, Encana will measure, allocate and report all production for the wells listed on Attachment No. 1 in accordance to the procedures and methods that were approved by the BLM, NMSLO and NMOCD.

Please feel free to contact me directly at 720-876-5331 with any questions or concerns.

Encana Oil & Gas (USA) Inc.


Holly Hill
Regulatory Analyst

Enc.

Encana Oil & Gas (USA) Inc.

370 17th Street, Suite 1700, Denver Colorado 80202 720.876.5331 (O) 303.521.2835 (C) holly.hill@encana.com

Participation Statement of Dugan Production Corp.
Jeffers Federal Gas Gathering System
San Juan County, New Mexico

Dugan Production Corp. is currently the operator of the Jeffers Federal Gathering System (JFGS) which was initially approved by the Bureau of Land Management on 11/30/12, the New Mexico Oil Conservation Division on 12/4/12 and the New Mexico State Land Office on 11/19/12. The following three wells are currently approved for operation on the JFGS;

Dugan's Jeffers Federal 2 #23 (API No. 30-045-24439) – Nageezi Gallup & Basin Fruitland Coal
Encana's Lybrook I02-2308 No 1H (API No. 30-045-35365) – Nageezi Gallup/Basin Mancos
Encana's Lybrook I02-2308 No. 2H (API No. 30-045-35492) – Basin Mancos

Gas from the JFGS is delivered to a CDP sales meter located in the NWSE Section 3, T-23N, R-8W (Elm Ridge Resources Meter No. 31685). It is proposed that Encana Oil & Gas (USA) Inc. assume operation of the JFGS under the terms and conditions originally approved. Dugan Production supports the change of operator to Encana and will continue to operate the Jeffers Federal 2 No. 23 as approved for the JFGS.

Signed by: John A. Alenak
for Dugan Production Corp.
Title: Vice President
Date: 3. 17. 2014

Attachment No. 1
Encana Oil Gas (USA) Inc.
Jeffers Federal Gas Gathering System
Transfer of Operator from Dugan to Encana
Central Delivery Sales Meter (Elm Ridge Meter #31685) NWSE of Sec. 3 T23N R8W
San Juan County, New Mexico

| Transfer of Operator from Dugan Production Corp. (Dugan) to Encana Oil & Gas (USA) Inc. (Encana) | | | | | | | | | | |
|--|-----------------------------|--------------|---------------------------------|--------------------------------------|--------------------------------|--|---------------------------------|-------------------|-----------------|-------------|
| Well Name and No. | Well Operator | API No. | Well Location UL-Sec-Twn-Rng | Communitization No. if Applicable | Project Area | Pool | Lease No. | Lease Type | Completion Date | Well Status |
| Jeffers Federal 2 # 23 | Dugan Production Corp. | 30-045-24439 | K-NESW-2-23N-08W | N/A | NESW Sec 2 23N 08W (40 acres) | Nageezi Gallup | NM 29560 | USA | 10/17/1980 | Completed |
| Jeffers Federal 2 # 23 | Dugan Production Corp. | 30-045-24439 | K-NESW-2-23N-08W | NMNM 112659 | S2 Sec 2 23N 08W (320 acres) | Basin Fruitland Coal | V-7843 & NM 29560 | USA & NM State | 09/01/2011 | Completed |
| Lybrook I02-2308 01H | Encana Oil & Gas (USA) Inc. | 30-045-35365 | I-NESE-2-23N-08W | NMNM 131072 | N2S2 Sec 2 23N 08W (160 acres) | Basin Mancos Pool & Nageezi Gallup Pool | V-7843 & NM 29560 | USA & NM State | 07/05/2013 | Completed |
| Lybrook I02-2308 02H | Encana Oil & Gas (USA) Inc. | 30-045-35492 | I-NESE-2-23N-08W | NMNM 131863 | S2 Sec 1 23N 08W (320 acres) | Basin Mancos Pool | NMNM 120374 & NMNM 118132 | USA | 02/24/2014 | Completed |