

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

MAY 22 2014

FORM APPROVED
OMB No. 1004-0137
Expires: October 31, 2014

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 17009; NMNM 118128; V0 9212

6. If Indian, Allottee or Tribe Name
N/A

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)

7. If Unit of CA/Agreement, Name and/or No.
NMNM 131017X

8. Well Name and No.
Gallo Canyon Unit P26-2306 02H

9. API Well No.
30-043-21209

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

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
SHL: 253' FSL and 937' FEL Section 26, T23N, R6W BHL: 650' FSL and 330' FEL Section 36, T23N, R6W

11. County or Parish, State
Sandoval County, 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 checked="" type="checkbox"/> Other <u>Update Drilling Plan,</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Wellbore Diagram and</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	<u>C-102</u>

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) is submitting the following information for the Gallo Canyon Unit P26-2306 02H APD package:

1. Drilling Plan - Updated to include the correct depth for the 7" casing. The previously submitted Drilling Plan did not match the information on the Directional Drilling Plan. The plan was also updated with the correct cement volumes.
2. Wellbore Diagram - Updated to include the correct depth for the 7" casing. The previously submitted Wellbore Diagram did not match the information on the Directional Drilling Plan or Form 3160-3. The diagram was also updated with the correct cement volumes.
3. Form C-102 - The Dedicated Acres were updated to include the acreage for the penetrated spacing units

Please attach these updates to the Gallo Canyon Unit P26-2306 02H APD package.

CONDITIONS OF APPROVAL

Adhere to previously issued stipulations

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

OIL CONS. DIV DIST. 3

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

Katie Wegner

Title Regulatory Analyst

MAY 29 2014

Signature

Date 05/21/2014

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

William Tambekou

Petroleum Engineer

Date 5/27/2014

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 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.

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720
District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised August 1, 2011

Submit one copy to
appropriate

District Office

MAY 22 2014

Farmington Field Office
Bureau of Land Management

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-043-21209	² Pool Code 13379	³ Pool Name COUNSELORS GALLUP-DAKOTA
⁴ Property Code 313261	⁵ Property Name GALLO CANYON UNIT P26-2306	⁶ Well Number 02H
⁷ OGRID No. 282327	⁸ Operator Name ENCANA OIL & GAS (USA) INC.	⁹ Elevation 6872

¹⁰ Surface Location

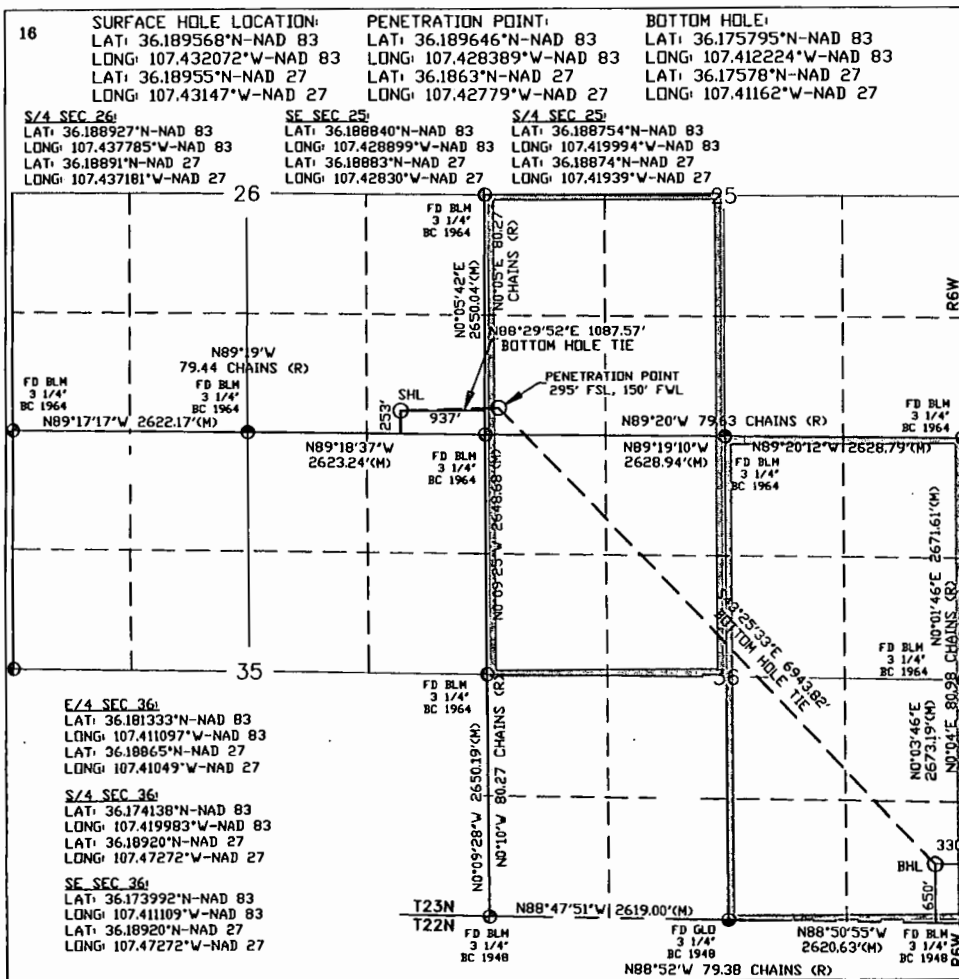
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	26	23-N	6-W		253'	SOUTH	937	EAST	SANDOVAL

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	36	23-N	6-W		650'	SOUTH	330	EAST	SANDOVAL

¹² Dedicated Acres 5,120 Acres Sec. 22-26, 34-36 - Undivided Unit Penetrated Spacing Units: E2 and NW Sec 36; SW Sec 25 (640 acres)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No. R-13718-A (5,120 acres)
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No allowable will be assigned to this completion until all interest have been consolidated or a non-standard unit has been approved by the division.



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 with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Katie Wegner 5/21/14
Signature Date

Katie Wegner
Printed Name

Katie.Wegner@encana.com
E-mail Address

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.

DEC 6, 2013

Date of Survey

Signature and Seal of Professional Surveyor:

WILLIAM E. MAHKE II
NEW MEXICO
8466
REGISTERED PROFESSIONAL SURVEYOR
WILLIAM E. MAHKE II
Certificate Number

GCU P26-2306 02H

SHL: SESE Sec 26 T23N R6W

253' FSL, 937' FEL

BHL: SESE Sec 36 T23N R6W

650' FSL, 330' FEL

Sandoval, New Mexico

Encana Oil & Gas (USA) Inc. Drilling Plan

1. ESTIMATED TOPS OF GEOLOGICAL MARKERS (TVD)

The estimated tops of important geologic markers are as follows:

Formation	Depth (TVD) units = feet
Ojo Alamo Ss.	1,318
Kirtland Shale	1,432
Fruitland Coal	1,604
Pictured Cliffs Ss.	1,863
Lewis Shale	1,974
Cliffhouse Ss.	2,672
Menefee Fn.	3,205
Point Lookout Ss.	4,068
Mancos Shale	4,288
Mancos Silt	4,902
Gallup Fn.	5,161

The referenced surface elevation is 6872', KB 6888'

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

Substance	Formation	Depth (TVD) units = feet
Water/Gas	Fruitland Coal	1,604
Oil/Gas	Pictured Cliffs Ss.	1,863
Oil/Gas	Cliffhouse Ss.	2,672
Gas	Menefee Fn.	3,205
Oil/Gas	Point Lookout Ss.	4,068
Oil/Gas	Mancos Shale	4,288
Oil/Gas	Mancos Silt	4,902
Oil/Gas	Gallup Fn.	5,161

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.
- 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
- 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 (MD)	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'-6000'	8 3/4"	7"	26#	J55, LTC New
Production Liner	5800'-13237'	6 1/8"	4 1/2"	11.6#	B80*, LTC New

Casing String				Casing Strength Properties			Minimum Design Factors		
Size	Weight (ppf)	Grade	Connection	Collapse (psi)	Burst (psi)	Tensile (1000lbs)	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
4.5"	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.

GCU P26-2306 02H
 SHL: SESE Sec 26 T23N R6W
 253' FSL, 937' FEL
 BHL: SESE Sec 36 T23N R6W
 650' FSL, 330' FEL
 Sandoval, New Mexico

b) The proposed cementing program is as follows

Casing	Depth (MD)	Cement Volume (sacks)	Cement Type & Yield	Designed TOC	Centralizers
Conductor	0'-60'	100 sks	Type I Neat 16 ppg	Surface	None
Surface	0'-500'	201 sks	Type III Cement + 1% CaCl + 0.25lb/sk Cello Flake + 0.2% FL, 16ppg, 1.38cuf/sk	Surface	1 per joint on bottom 3 joints
Intermediate	0'-6000'	30% open hole excess Stage 1 Lead: 362 sks Stage 1 Tail: 356 sks Stage 2 Lead: 179 sks	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 every 3 joints through water bearing zones
Production Liner	5800'-13237'	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 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 4795'. Directional plans are attached.

Description	Proposed Depth (TVD/MD)	Formation
Horizontal Lateral TD	5383'/13237'	Gallup

6. DRILLING FLUIDS PROGRAM

a) Surface through Intermediate Casing Point:

Hole Size (in)	Depth (TVD/MD)	Mud Type	Density (ppg)	Viscosity (sec/qt)	Fluid Loss (cc)
30"	0-60'/60'	Fresh Water	8.3-9.2	38-100	4-28
12 1/4"	0'-500'/500'	Fresh Water	8.4-8.6	60-70	NC
8 3/4"	500'/500'-5399'/6000'	Fresh Water LSND	9.5-8.8	40-50	8-10

GCU P26-2306 02H

SHL: SESE Sec 26 T23N R6W

253' FSL, 937' FEL

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650' FSL, 330' FEL

Sandoval, New Mexico

b) Intermediate Casing Point to TD:

Hole Size (in)	Depth (TVD/MD)	Mud Type	Density (ppg)	Viscosity (sec/qt)	Fluid Loss (cc)
6 1/8"	5399'/6000'- 5383'/13237'	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, & LOGGING

- a) Drill Stem Testing - None anticipated.
- b) Coring - None anticipated.
- c) Mudd 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 +/- 2532 psi based on a 9.0 ppg at 5410' TVD of the horizontal lateral target. 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.

9. ANTICIPATED START DATE AND DURATION OF OPERATIONS

Drilling is estimated to commence on January 1st, 2015. 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 20 days.

LOC: SE/4 SE/4 Sec 26 T23N R6W, 253'			Encana Natural Gas			ENG: S Kuykendall 5/21/14		
County: New Mexico			WELL SUMMARY			RIG: Aztec 850		
WELL: GCU P26-2306 02H						GLE: 6872		
						RKBE: 6888		
MWD	OPEN HOLE	FORM	DEPTH		HOLE	CASING	MW	DEVIATION
LWD	LOGGING		TVD	MD		SPECS	MUD TYPE	INFORMATION
			60	60'	30	20" 94# 100sx Type I Neat 16.0ppg cmt	Fresh wtr 8.3-9.2	
Multi-Well pad - take survey every stand and run anti- collision report prior to spud	None	* Nacimiento 9 5/8" Csg	0 500	500.00	12 1/4	9 5/8" 36ppf J55 STC TOC Surface - 201 sks of Type III Cement	Fresh wtr 8.4-8.6	Vertical <1°
Survey Every 60'-120', updating anticollision report after surveys. Stop operations and contact drilling engineer if separation factor approaches 1.5	No OH logs	Ojo Alamo Ss. Kirtland Shale Fruitland Coal Pictured Cliffs Ss. Lewis Shale Cliffhouse Ss. Menefee Fn. Point Lookout Ss. Mancos Shale	1,318 1,432 1,604 1,863 1,974 2,672 3,205 4,068 4,288		8 3/4	7" 26ppf J55 LTC TOC @ surface 30% OH excess: 718 sksTotal. Stage 1 Lead: 362 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. Stage 1 Tail: 356 sks 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: 179 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°
Surveys every 30' through the curve	Mud logger onsite	KOP Mancos Silt Gallup Fn. 7" Csg	4,795 4,902 5,161 5,399	4,794.5 6,000.0				
Surveys every stand to TD unless directed otherwise by Geologist	No OH Logs	Horizontal Target TD Base Gallup	5,410 5,383 5,443	13,237.2	6 1/8	200' overlap at liner top 7237' Drilled Lateral	Horizontal Inclination Horizontal TVD 8.6-9.0 OBM	Horz Inc/TVD 90.2 deg/5410 TD = 13,237.2 MD
MWD Gamma Directional						4 1/2" 11.6ppf SB80 LTC Running external swellable csg packers for isolation of prod string	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 4795', 8 3/4 inch holesize
- 5) PU directional tools and start curve at 10deg/100' build rate
- 6) Drill to csg point of 6000' MD
- 7) R&C 7" csg, circ cmt to surface, switch to OBM
- 8) Land at 90 deg, drill lateral to 13237' run 4 1/2 inch liner with external swellable csg packers