

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]**

379

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A] 30-045-35467  
 [A] Location - Spacing Unit - Simultaneous Dedication 30-045-35322  
 NSL  NSP  SD  
 Check One Only for [B] or [C]  
 [B] Commingling - Storage - Measurement Encana Oil  
 DHC  CTB  PLC  PC  OLS  OLM Escrito #14  
 [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR  
 [D] Other: Specify \_\_\_\_\_

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- [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,  
Attachment No. 4 presents copies of notification to interest owners mailed Certified/ Return Receipt (RR). Upon receipt of RRs, copies will be sent to NMOC.  
 [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.**

Katie Wegner \_\_\_\_\_ Katie Wegner \_\_\_\_\_ Regulatory Analyst \_\_\_\_\_ 7/11/13  
 Print or Type Name Signature Title Date  
 \_\_\_\_\_  
 e-mail Address Katie.wegner@encana.com

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
811 S. First St., Artesia, NM 88210  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
District IV  
1220 S. St Francis Dr, Santa Fe, NM  
87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107-B  
Revised August 1, 2011

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: Encana Oil & Gas (USA) Inc.  
OPERATOR ADDRESS: 370 17<sup>th</sup> Street, Suite 1700, Denver, CO 80202  
APPLICATION TYPE:

Pool Commingling  Lease Commingling  Pool and Lease Commingling  Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE:  Fee  State  Federal

Is this an Amendment to existing Order?  Yes  No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
 Yes  No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes
Bisti Lower-Gallup (5890)	42° API/1350 BTU	Only gas to be commingled		Only gas to be commingled	5 - 1500 mcf/d/well
Basin Mancos Gas (97232)	42° API/1350 BTU	1350 BTU		Value = +/- \$3.30 mmbtu	5 - 1500 mcf/d/well

- (2) Are any wells producing at top allowables?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No.  
(4) Measurement type:  Metering  Other (Specify)  
(5) Will commingling decrease the value of production?  Yes  No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Pool Name and Code.  
(2) Is all production from same source of supply?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
(4) Measurement type:  Metering  Other (Specify)

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

- (1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

- (1) Is all production from same source of supply?  Yes  No  
(2) Include proof of notice to all interest owners. See Attachment No. 4

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

- (1) A schematic diagram of facility, including legal location. See Attachment No. 2 and Attachment No. 5  
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved. Attachment No.2  
(3) Lease Names, Lease and Well Numbers, and API Numbers. See Attachment No. 1

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE: Katie Wegner TITLE: Regulatory Analyst DATE: 7/11/13

TYPE OR PRINT NAME: Katie Wegner TELEPHONE NO.: 720-876-3533

E-MAIL ADDRESS: katie.wegner@encana.com

Attachment No. 1  
 Encana Oil Gas (USA) Inc.  
 Escrito I24-2409 Gas Gathering System Application  
 San Juan County, New Mexico

Well Name	API No.	Well Location UL-Sec-Twn-Rng	Project Area/Acreage Dedication	Pool	Lease No.	Lease Type	Completion Date	Well Status
Escrito D30-2408 01H	30-045-35467	D-NWNW-30-24N-08W	N2S2 Sec 13 24N 10W (160 acres)	Basin Mancos Gas	NM 54980 & NM 54981	Federal	N/A	Not Drilled
Escrito I24-2409 01H	30-045-35322	I-NESE-24-24N-09W	S2S2 Sec 13 24N 10W (160 acres)	Bisti Lower-Gallup	SF-078860	Federal	10/16/2012	Completed

\* To date, Encana has one (1) horizontal wells producing from the Bisti Lower Gallup Pool. Encana intends to drill and produce one (1) well that will produce from the Basin Mancos Gas pool. All of the wells listed above are targeted to be completed in a correlative interval within the Mancos formation. We anticipate completion design to be similar for all of these wells.

Attachment No. 2  
Encana Oil & Gas (USA) Inc.  
Escrito I24-2409 01H  
Gathering System Application  
Project Area: S2 Section 24 T24N R9W  
(SF-078860)  
San Juan County, New Mexico

Escrito I24-2409 01H  
Well Head  
NESE Sec. 24 T24N  
R9W

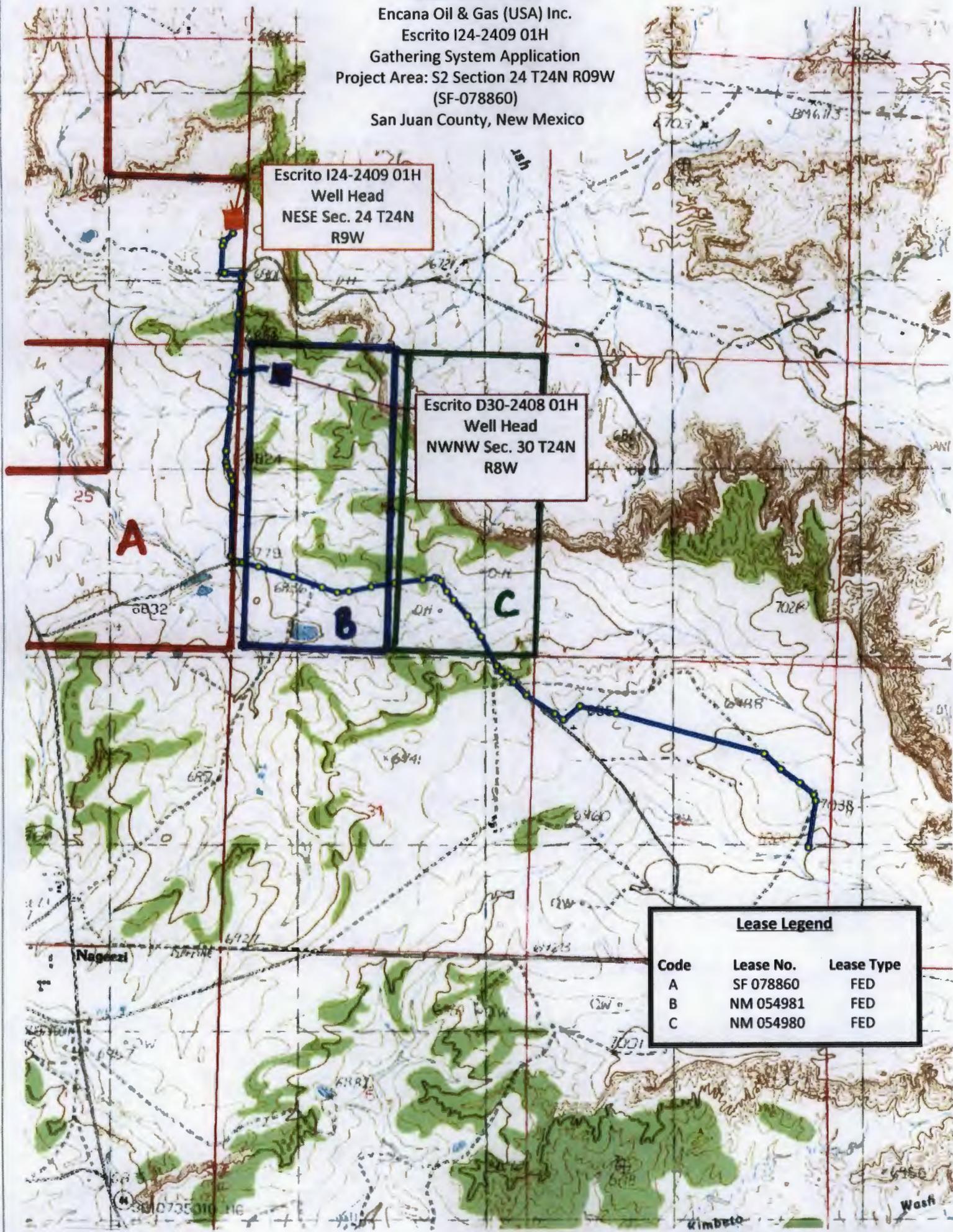
Escrito D30-2408 01H  
Well Head  
NWNW Sec. 30 T24N  
R8W

A

B

C

Lease Legend		
Code	Lease No.	Lease Type
A	SF 078860	FED
B	NM 054981	FED
C	NM 054980	FED





Submit one copy to appropriate  
 District Office

**DISTRICT I**  
 1085 N. French Dr., Hobbs, N.M. 88240  
 Phone: (575) 989-6161 Fax: (575) 989-0720

**DISTRICT II**  
 611 S. First St., Artesia, N.M. 88210  
 Phone: (575) 748-1883 Fax: (575) 748-0720

**DISTRICT III**  
 1000 Rio Brazos Rd., Aztec, N.M. 87410  
 Phone: (505) 334-6176 Fax: (505) 334-6170

**DISTRICT IV**  
 1820 E. St. Francis Dr., Santa Fe, NM 87505  
 Phone: (505) 476-3480 Fax: (505) 476-3482

Energy, Mine

**OIL CONSERVATION DIVISION**  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number		Pool Code 97232	Pool Name BASIN MANCOS GAS
Property Code	Property Name ESCRITO D30-2408		Well Number 01H
GRID No. 282327	Operator Name ENCANA OIL & GAS (USA) INC.		Elevation 6849.3'

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	30	24N	8W	1	444'	NORTH	400'	WEST	SAN JUAN

<sup>11</sup> 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	30	24N	8W		660'	SOUTH	660'	EAST	SAN JUAN

<sup>12</sup> Dedicated Acres 640.00 Acres - All Sec. 30	PROJECT AREA	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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**

18

- 1 LAT. 36.278070° N (NAD83)  
LONG. 107.732078° W (NAD83)  
LAT. 36.278058° N (NAD27)  
LONG. 107.731465° W (NAD27)
- 2 LAT. 36.285324° N (NAD83)  
LONG. 107.732027° W (NAD83)  
LAT. 36.285312° N (NAD27)  
LONG. 107.731414° W (NAD27)
- 3 LAT. 36.292579° N (NAD83)  
LONG. 107.722879° W (NAD83)  
LAT. 36.292567° N (NAD27)  
LONG. 107.722266° W (NAD27)
- 4 LAT. 36.278082° N (NAD83)  
LONG. 107.723069° W (NAD83)  
LAT. 36.278070° N (NAD27)  
LONG. 107.722456° W (NAD27)
- 5 LAT. 36.292579° N (NAD83)  
LONG. 107.713923° W (NAD83)  
LAT. 36.292567° N (NAD27)  
LONG. 107.713311° W (NAD27)
- 6 LAT. 36.278095° N (NAD83)  
LONG. 107.714102° W (NAD83)  
LAT. 36.278083° N (NAD27)  
LONG. 107.713490° W (NAD27)

**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.

Signature \_\_\_\_\_ Date \_\_\_\_\_

Printed Name \_\_\_\_\_

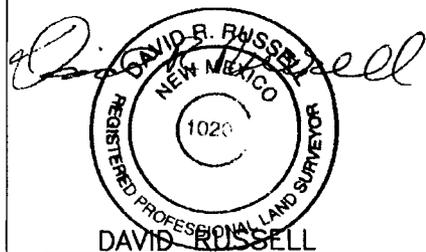
E-mail Address \_\_\_\_\_

**SURVEYOR CERTIFICATION**

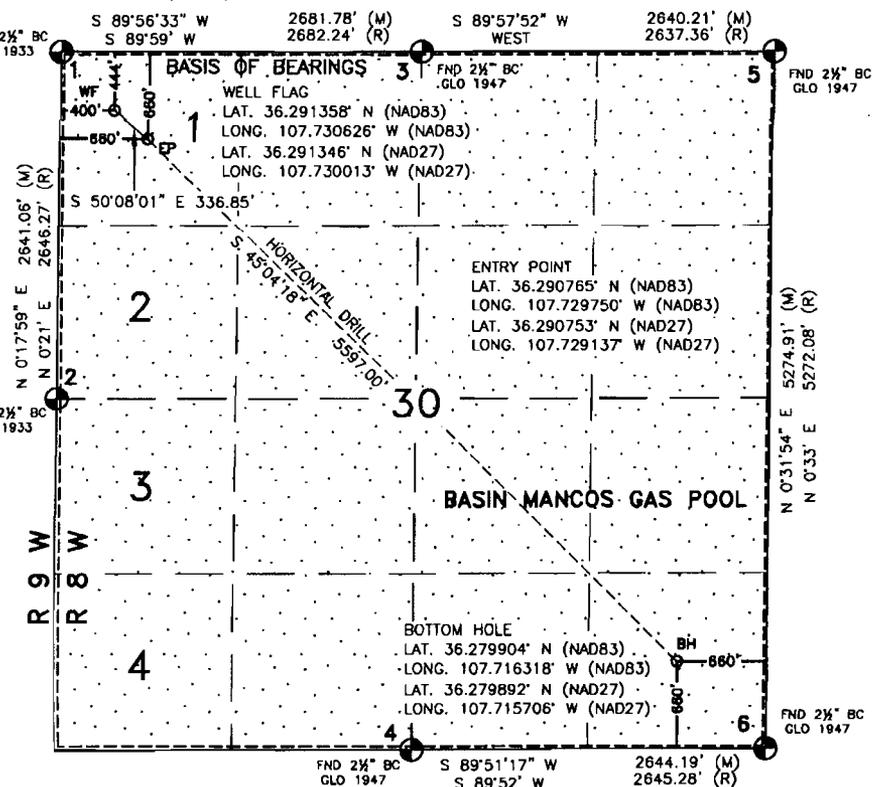
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JANUARY 31, 2013

Date of Survey \_\_\_\_\_  
 Signature and Seal of Professional Surveyor: \_\_\_\_\_



Certificate Number 10201



Attachment No. 3  
Encana Oil Gas (USA) Inc.  
Escrito I24-2409 Gas Gathering System Application  
San Juan County, New Mexico

**Escrito D30-2408 01H**  
D-NWNW-30-24N-08W  
N2S2 Sec 13 24N 10W (160 acres)  
NM 54980 & NM 54981  
Basin Mancos Gas

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**Interest Owners**

<b><u>Working Interest</u></b>	<b><u>Gross</u></b>	<b><u>Net</u></b>
Encana Oil & Gas (USA) Inc. 370 17th Street, Suite 1700 Denver, CO 80202	50.000%	41.250%
Dugan Production Corp. 709 E. Murray Dr. Farmington, New Mexico 87401	50.000%	43.750%
<b><u>Royalty Interest</u></b>		
USA c/o BLM	0.000%	12.500%
<b><u>Overriding Royalty Interest</u></b>		
Dugan Production Corp. 709 E. Murray Dr. Farmington, New Mexico 87401	0.000%	2.500%
<b>TOTAL</b>	<hr/> 0.000%	<hr/> 0.000%

Attachment No. 3  
 Encana Oil Gas (USA) Inc.  
 Escrito I24-2409 Gas Gathering System Application  
 San Juan County, New Mexico

**Escrito I24-2409 01H**  
 I-NESE-24-24N-09W  
 S2S2 Sec 13 24N 10W (160 acres)  
 SF-078860

**Interest Owner**

Bisti Lower-Gallup

**Working Interest**

	<u>Gross</u>	<u>Net</u>
Encana Oil & Gas (USA) Inc. 370 17th Street, Suite 1700 Denver, CO 80202	50.000%	40.000%

Dugan Production Corp. 709 E. Murray Dr. Farmington, New Mexico 87401	50.000%	42.255%
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**Royalty Interest**

USA c/o BLM	0.000%	12.500%
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**Overriding Royalty Interest**

Dugan Production Corp. 709 E. Murray Dr. Farmington, New Mexico 87401	0.000%	2.255%
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DHB Partnership 8144 Walnut Hill Ln Dallas, TX 75231	0.000%	0.500%
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Ben Patterson R.I., Ltd. 613 NW Loop 410 Ste 680 San Antonio, TX 78216	0.000%	0.500%
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Preston Hollow United Methodist Church 6315 Walnut Hill LN Dallas, TX 75231	0.000%	0.375%
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Del-Phoenix Corporation 800 Navarro St Ste 210 San Antonio, TX 78205	0.000%	1.454%
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Ross W. Christian 8302 Paddock Ln Boerne, TX 78015	0.000%	0.077%
--	--------	--------

Robert LaChappelle 305 Anns Way Blanco, TX 78606	0.000%	0.077%
--	--------	--------

Tom Nissen 395 N Shore Pl Lewisville, TX 75077	0.000%	0.008%
--	--------	--------

	100.000%	100.000%
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Attachment No. 4  
Encana Oil & Gas (USA) Inc.  
Escrito I24-2409 Gas Gathering System  
San Juan County, NM

As evidence that all interest ownership parties in the subject well have been given notice of Encana's application, attached please find:

- 1) The Leasehold Interest Owner's Address List for the Escrito I24-2409 Gas Gathering System.
- 2) Copies of Encana's letters, dated July 9, 2013, used to send copies of the subject application to the leasehold interest owners for the wells connecting to the Escrito I24-2409 Gas Gathering System. The letters were transmitted via certified mail/return receipt. Upon receiving receipts, a copy will be sent to NMOCD.
- 3) All royalty interest owners included in Attachment No. 3 have been properly notified. Since the BLM is receiving this application requesting their approval, a separate notice letter was not sent to this royalty interest owner. The application to the BLM was transmitted via certified mail/return receipt. Upon receiving receipts, a copy will be sent to NMOCD.

*\*Please note Attachment No. 4 contains twenty-three (23) pages.*

Attachment No. 4  
Encana Oil & Gas (USA) Inc.  
Escrito I24-2409 Gas Gathering System  
San Juan County, NM

**Working Interest Owners:**

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

Dugan Production Corp.  
709 E. Murray Dr.  
Farmington, NM 87401

**Royalty Interest Owner:**

Bureau of Land Management  
6251 College Blvd., Suite A  
Farmington, NM 87402

**Overriding Royalty Interest:**

Dugan Production Corp.  
709 E. Murray Dr.  
Farmington, NM 87401

DHB Partnership  
8144 Walnut Hill Ln  
Dallas, TX 75231

Ben Patterson R.I., Ltd.  
613 NW Loop 410 Ste 680  
San Antonio, TX 78216

Preston Hollow United Methodist  
Church  
6315 Walnut Hill LN  
Dallas, TX 75231

Del-Phoenix Corporation  
800 Navarro St Ste 210  
San Antonio, TX 78205

Ross W. Christian  
8302 Paddock Ln  
Boerne, TX 78015

Robert LaChappelle  
305 Anns Way  
Blanco, TX 78606

Tom Nissen  
395 N Shore Pl  
Lewisville, TX 75077

Attachment No. 4  
Encana Oil & Gas (USA) Inc.  
Escrito I24-2409 Gas Gathering System  
San Juan County, NM



July 9, 2013

Ben Patterson R.I., Ltd.  
613 NW Loop 410 Ste 680  
San Antonio, TX 78216

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

Dear Interest Owner:

Encana Oil & Gas (USA) Inc.'s (Encana) is seeking administrative approval from the New Mexico Oil Conservation Division (NMOCD) for an Application for a new gathering system, the Escrito I24-2409 Gas Gathering System. This Gathering System will be installed and operated by Encana, and will require surface commingling of gas, and in some cases off-lease measurement and sale of produced natural gas, as well as off-lease transportation and sale of oil and condensate. All of the wells proposed to tie into the Gathering System will be operated by Encana. Encana has applied for the necessary rights-of-way to install, operate and maintain this Gathering System.

Off-Lease Measurement and Sale of produced natural gas, as well as Off-Lease Transportation and Sale of crude oil and condensate, may also be applicable for some of the proposed wells tying into the Gathering System. If applicable, Off-Lease Measurement of natural gas will occur at the well head by a well allocation meter and again at the pipeline tie-in to Elm Ridge's central delivery point, gas custody transfer meter.

The wells will be equipped with individual gas measurement equipment for allocation purposes and will benefit from central compression which should keep wellhead operating pressure as low as possible. There will not be any downhole commingling of oil or condensate and there is no Indian acreage associated with any of the proposed wells.

If applicable, Off-Lease Measurement, Transportation and Sale of produced oil and condensate will occur at the surface location for the affected well where Encana will install the necessary number of 400-barrel oil storage tanks and water tanks. A gathering company will purchase and transport the product to refining. A strapping table measurement for each oil tank will determine the volume in each tank with run tickets to be filled out at the surface location for each load. Tank seal information will also be recorded to accompany transport.

This matter does not require any action on your part. Current NMOCD Regulations require that all affected interest owners receive notice of Off-Lease Measurement, Transportation and Sale, and receive notice of proposed future additions to the Gathering System (those in the existing system and those being added). Included in Encana's Gathering System application is a request that for future additions to this Gathering System, only the interest owners in the wells to be added will require notification provided that the proposed additions do not adversely affect the existing wells in the Gathering System. This will greatly simplify adding wells to the Gathering System. Should you have any questions, concerns or need additional information please contact me at your earliest convenience at 720-876-5965 and/or [billy.mccool@encana.com](mailto:billy.mccool@encana.com).



Should you have any objections to our application, please contact the undersigned; you should also contact the NMOCD directly with your objections within twenty (20) days from the date the NMOCD receives our application. The mailing address for the NMOCD is 1220 St. Francis Drive, Santa Fe, New Mexico 87505. We would appreciate a copy of your objection.

Yours Truly,  
Encana Oil & Gas (USA) Inc.

*B. Wade McCool*  
B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

Del-Phoenix Corporation  
800 Navarro St Ste 210  
San Antonio, TX 78205

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

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Encana Oil & Gas (USA) Inc.

370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202



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Yours Truly,  
Encana Oil & Gas (USA) Inc.

A handwritten signature in cursive script that reads "B. Wade McCool".

for

B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

DHB Partnership  
8144 Walnut Hill Ln  
Dallas, TX 75231

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

Dear Interest Owner:

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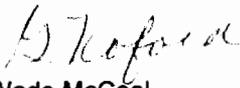
Encana Oil & Gas (USA) Inc.

370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202



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Yours Truly,  
Encana Oil & Gas (USA) Inc.

*for*   
B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

Dugan Production Corp.  
709 E. Murray Dr.  
Farmington, New Mexico 87401

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

Dear Interest Owner:

Encana Oil & Gas (USA) Inc.'s (Encana) is seeking administrative approval from the New Mexico Oil Conservation Division (NMOCD) for an Application for a new gathering system, the Escrito I24-2409 Gas Gathering System. This Gathering System will be installed and operated by Encana, and will require surface commingling of gas, and in some cases off-lease measurement and sale of produced natural gas, as well as off-lease transportation and sale of oil and condensate. All of the wells proposed to tie into the Gathering System will be operated by Encana. Encana has applied for the necessary rights-of-way to install, operate and maintain this Gathering System.

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This matter does not require any action on your part. Current NMOCD Regulations require that all affected interest owners receive notice of Off-Lease Measurement, Transportation and Sale, and receive notice of proposed future additions to the Gathering System (those in the existing system and those being added). Included in Encana's Gathering System application is a request that for future additions to this Gathering System, only the interest owners in the wells to be added will require notification provided that the proposed additions do not adversely affect the existing wells in the Gathering System. This will greatly simplify adding wells to the Gathering System. Should you have any questions, concerns or need additional information please contact me at your earliest convenience at 720-876-5965 and/or [billy.mccool@encana.com](mailto:billy.mccool@encana.com).



Should you have any objections to our application, please contact the undersigned; you should also contact the NMOCD directly with your objections within twenty (20) days from the date the NMOCD receives our application. The mailing address for the NMOCD is 1220 St. Francis Drive, Santa Fe, New Mexico 87505. We would appreciate a copy of your objection.

Yours Truly,  
Encana Oil & Gas (USA) Inc.

A handwritten signature in cursive script, appearing to read "B. Wade McCool".

for

B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

Preston Hollow United Methodist Church  
6315 Walnut Hill LN  
Dallas, TX 75231

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

Dear Interest Owner:

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Encana Oil & Gas (USA) Inc.

370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202



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Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

Robert LaChappelle  
305 Anns Way  
Blanco, TX 78606

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

Dear Interest Owner:

Encana Oil & Gas (USA) Inc.'s (Encana) is seeking administrative approval from the New Mexico Oil Conservation Division (NMOCD) for an Application for a new gathering system, the Escrito I24-2409 Gas Gathering System. This Gathering System will be installed and operated by Encana, and will require surface commingling of gas, and in some cases off-lease measurement and sale of produced natural gas, as well as off-lease transportation and sale of oil and condensate. All of the wells proposed to tie into the Gathering System will be operated by Encana. Encana has applied for the necessary rights-of-way to install, operate and maintain this Gathering System.

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370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202



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*for* B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

Ross W. Christian  
8302 Paddock Ln  
Boerne, TX 78015

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

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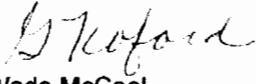
Encana Oil & Gas (USA) Inc.

370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202



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*for*   
B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

Tom Nissen  
395 N Shore Pl  
Lewisville, TX 75077

**Re: Escrito I24-2409 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

Dear Interest Owner:

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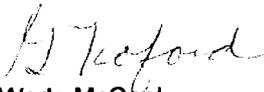
Encana Oil & Gas (USA) Inc.

370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202



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Encana Oil & Gas (USA) Inc.

*for*   
B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:



July 9, 2013

Dugan Production Corp.  
709 E. Murray Dr.  
Farmington, New Mexico 87401

**Re: Escrito D30-2408 Gas Gathering System  
Application for Gathering System and Off-Lease Measurement (if applicable)  
San Juan County, New Mexico**

Dear Interest Owner:

Encana Oil & Gas (USA) Inc.'s (Encana) is seeking administrative approval from the New Mexico Oil Conservation Division (NMOCD) for an Application for a new gathering system, the Escrito D30-2408 Gas Gathering System. This Gathering System will be installed and operated by Encana, and will require surface commingling of gas, and in some cases off-lease measurement and sale of produced natural gas, as well as off-lease transportation and sale of oil and condensate. All of the wells proposed to tie into the Gathering System will be operated by Encana. Encana has applied for the necessary rights-of-way to install, operate and maintain this Gathering System.

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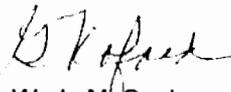
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Yours Truly,  
Encana Oil & Gas (USA) Inc.

  
B. Wade McCool  
Land Negotiator  
720.876.5965 (O)  
email: [billy.mccool@encana.com](mailto:billy.mccool@encana.com)

Enc:

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Ben Patterson R.I., Ltd.**  
**613 NW Loop 410 Ste 680**  
**San Antonio, TX 78216**

2. Article Number

(Transfer from service label)

7013 0600 0001 7378 1642

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

**COMPLETE THIS SECTION ON DELIVERY**

A. Signature

X

 Agent Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?  YesIf YES, enter delivery address below:  No

3. Service Type

 Certified Mail  Express Mail Registered  Return Receipt for Merchandise Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)

 Yes**SENDER: COMPLETE THIS SECTION**

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1. Article Addressed to:

**Del-Phoenix Corporation**  
**800 Navarro St Ste 210**  
**San Antonio, TX 78205**

2. Article Number

(Transfer from service label)

7013 0600 0001 7378 1659

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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1. Article Addressed to:

**DHB Partnership**  
**8144 Walnut Hill Ln**  
**Dallas, TX 75231**

2. Article Number

(Transfer from service label)

7013 0600 0001 7378 1666

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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 Certified Mail  Express Mail Registered  Return Receipt for Merchandise Insured Mail  C.O.D.

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1. Article Addressed to:

Dugan Production Corp  
Attn: Kurt Fagrelus  
709 E. Murray Drive  
Farmington, New Mexico 87499-0420

2. Article Number

(Transfer from service label)

7013 0600 0001 7378 1673

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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X

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C. Date of Delivery

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 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

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1. Article Addressed to:

Preston Hollow United Methodist  
Church  
6315 Walnut Hill LN  
Dallas, TX 75231

2. Article Number

(Transfer from service label)

7013 0600 0001 7378 1680

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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A. Signature

X

 Agent Addressee

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C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

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 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

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 Yes**SENDER: COMPLETE THIS SECTION**

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1. Article Addressed to:

Robert LaChappelle  
305 Anns Way  
Blanco, TX 78606

2. Article Number

(Transfer from service label)

7013 0600 0001 7378 1697

PS Form 3811, February 2004

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102595-02-M-1540

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X

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 Certified Mail Express Mail Registered Return Receipt for Merchandise Insured Mail C.O.D.

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 Yes

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1. Article Addressed to:

Ross W. Christian  
8302 Paddock Ln  
Boerne, TX 78015

2. Article Number  
(Transfer from service label)

7013 0600 0001 7378 1703

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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A. Signature

X

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- Agent
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- 
- Addressee

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- Express Mail
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1. Article Addressed to:

Tom Nissen  
395 N Shore Pl  
Lewisville, TX 75077

2. Article Number  
(Transfer from service label)

7013 0600 0001 7378 1710

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- Addressee

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1. Article Addressed to:

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

2. Article Number  
(Transfer from service label)

7013 0600 0001 7378 1727

PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

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- Agent
- 
- 
- Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

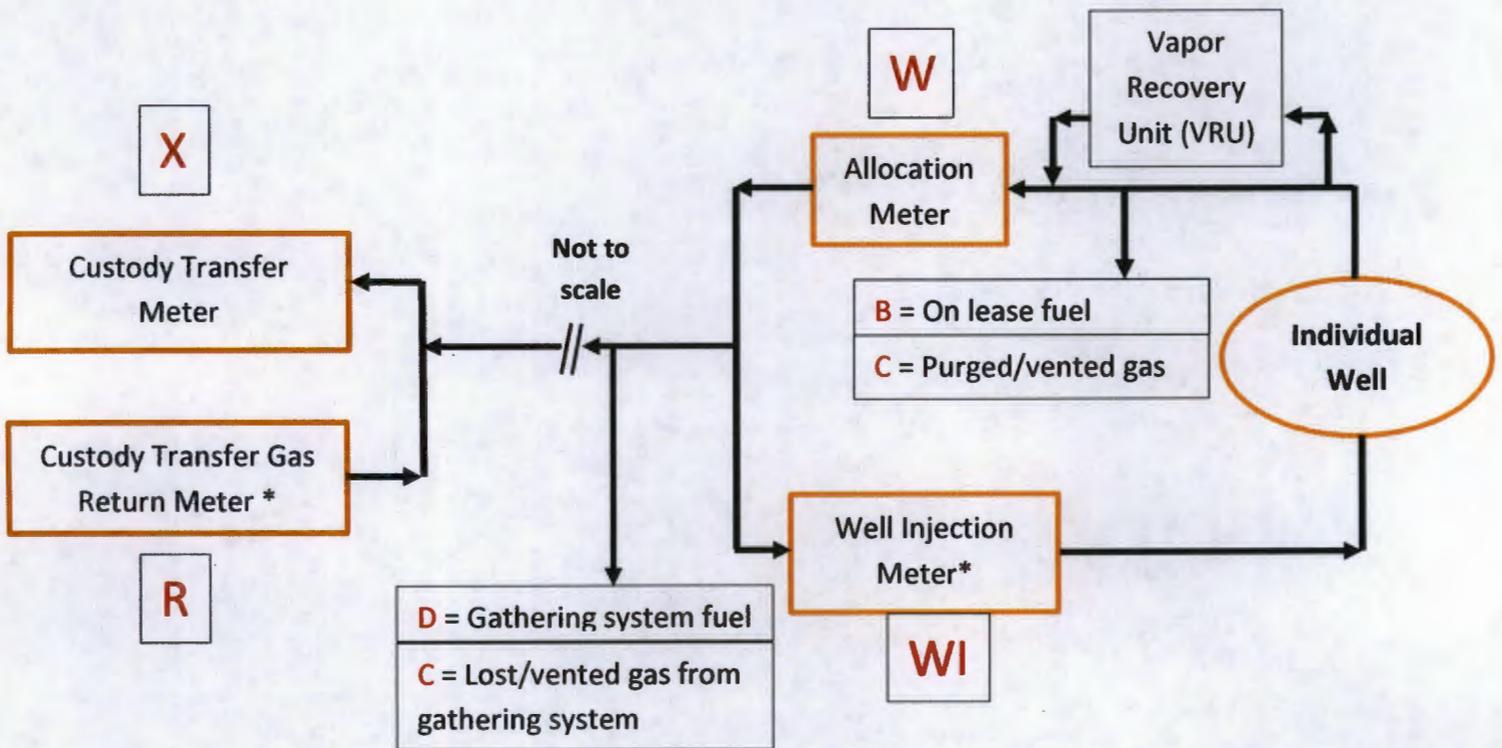
3. Service Type

- 
- Certified Mail
- 
- Express Mail
- 
- 
- Registered
- 
- Return Receipt for Merchandise
- 
- 
- Insured Mail
- 
- C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

SENDER: COMPLETE THIS SECTION	COMPLETE THIS SECTION ON DELIVERY	
<ul style="list-style-type: none"> <li>■ Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.</li> <li>■ Print your name and address on the reverse so that we can return the card to you.</li> <li>■ Attach this card to the back of the mailpiece, or on the front if space permits.</li> </ul>	A. Signature <span style="float: right;"><input type="checkbox"/> Agen. <input type="checkbox"/> Addressee</span> <b>X</b>	
1. Article Addressed to:  <p style="text-align: center;"><b>Mr. Dave Evans, District Manager            Bureau of Land Management            6251 College Blvd., Suite A            Farmington, NM 87402</b></p>	B. Received by ( <i>Printed Name</i> )	C. Date of Delivery
2. Article Number <i>(Transfer from service label)</i>	D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input type="checkbox"/> No	
	3. Service Type <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.	
	4. Restricted Delivery? ( <i>Extra Fee</i> ) <input type="checkbox"/> Yes	
	7013 0600 0001 7378 1734	

### Gas Measurement Allocation Procedures for Individual Wells



\*Meter will only be installed and active when gas lift is installed.

**Base Data:**

- X = Gas Volume (MCF) from Custody Transfer Meter during allocation period. (Elm Ridge)
- R = Gas Volume (MCF) from Custody Transfer Gas Return Meter (Elm Ridge)\*
- W = Gas Volume (MCF) from allocation meters at individual wells during allocation period. (Encana)
- WI = Gas Volume (MCF) from well injection meter at individual wells during allocation period. (Encana)\*
- Y = Heating Value (BTU/scf) from Custody Transfer Meter and Custody Transfer Gas Return Meter during allocation period. (Elm Ridge)
- Z = Heating Value (BTU/scf) from individual well allocation meter and well injection meter. (Encana)

Allocation Period is typically a calendar month and will be the same for all wells.

Attachment No. 5  
Encana Oil & Gas (USA) Inc.  
Escrito I24-2409 Gas Gathering System  
San Juan County, New Mexico

**Individual Well Gas Production** = A + B + C + D + E

A = Allocated Gas production off lease, MCF:  $((W-WI) / \text{SUM}(W-WI)) * (X-R)$

B = On lease fuel usage, MCF. Determined from equipment specification and operating conditions. This includes, but is not limited to, compression, vapor recovery unit (VRU) compression, burners, and pump jacks.

C = Lost and/or vented gas from well and/or lease equipment, MCF. Calculated using equipment and piping specifications and operating pressures.

D = Allocated fuel from gathering system equipment, MCF. The total fuel required to operate gathering system equipment will be allocated to the individual wells benefiting from the equipment using allocation factors determined by  $(W-WI) / \text{SUM}(W-WI)$ .

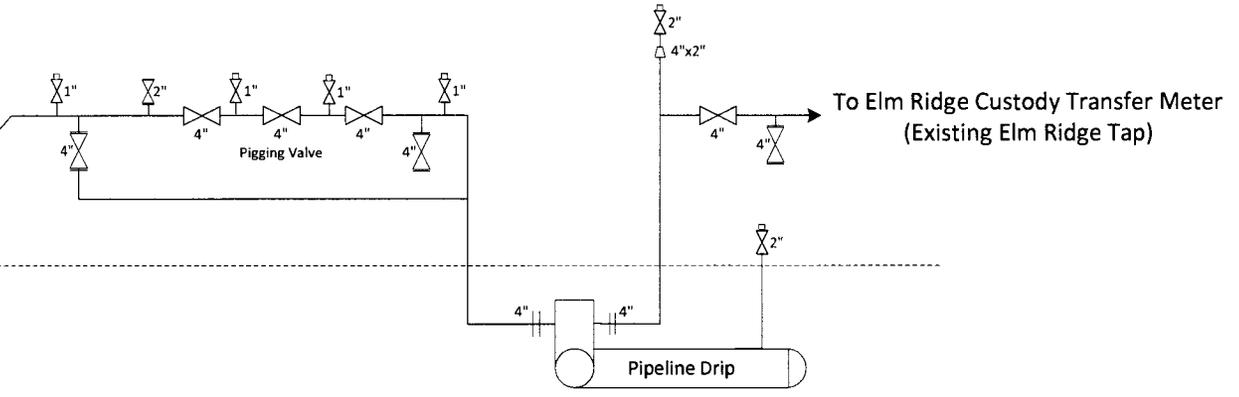
E = Allocated volume of gas lost and/or vented from the gathering system, gathering system equipment, condensate collection, and water collection in MCF. The total volume will be determined using industry accepted procedures the time of the loss. The total volumes lost and/or vented will be allocated to the individual wells affected using factors determined by  $(W-WI) / \text{SUM}(W-WI)$ .

**Individual Well BTU's** =  $((W-WI) * Z) / \text{SUM}((W-WI) * Z) * Y$

Individual well gas heating values to be determined in accordance with BLM regulations.

From Encana Escrito I24-2409-01H Well

Grade



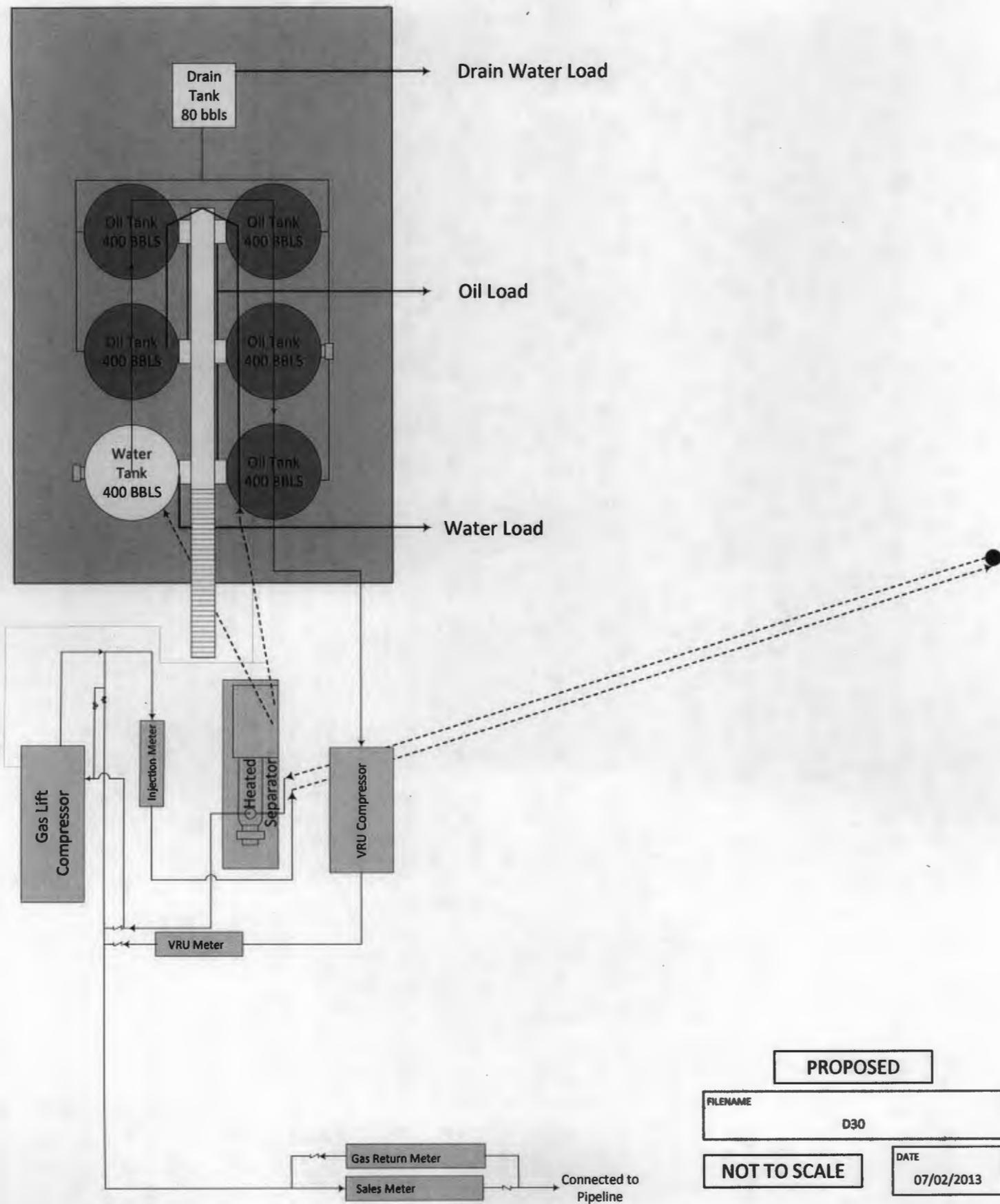
**PRELIMINARY**

FILENAME  
ELM RIDGE - ENCANA ESCRITO I24-2409-01H  
INTERCONNECT SCHEMATIC.VSD

**NOT TO SCALE**

DATE  
07/2/13

Attachment No. 5  
Encana Oil & Gas (USA) Inc.  
Escrito I24-2409 01H Gas Gathering System  
San Juan County, NM

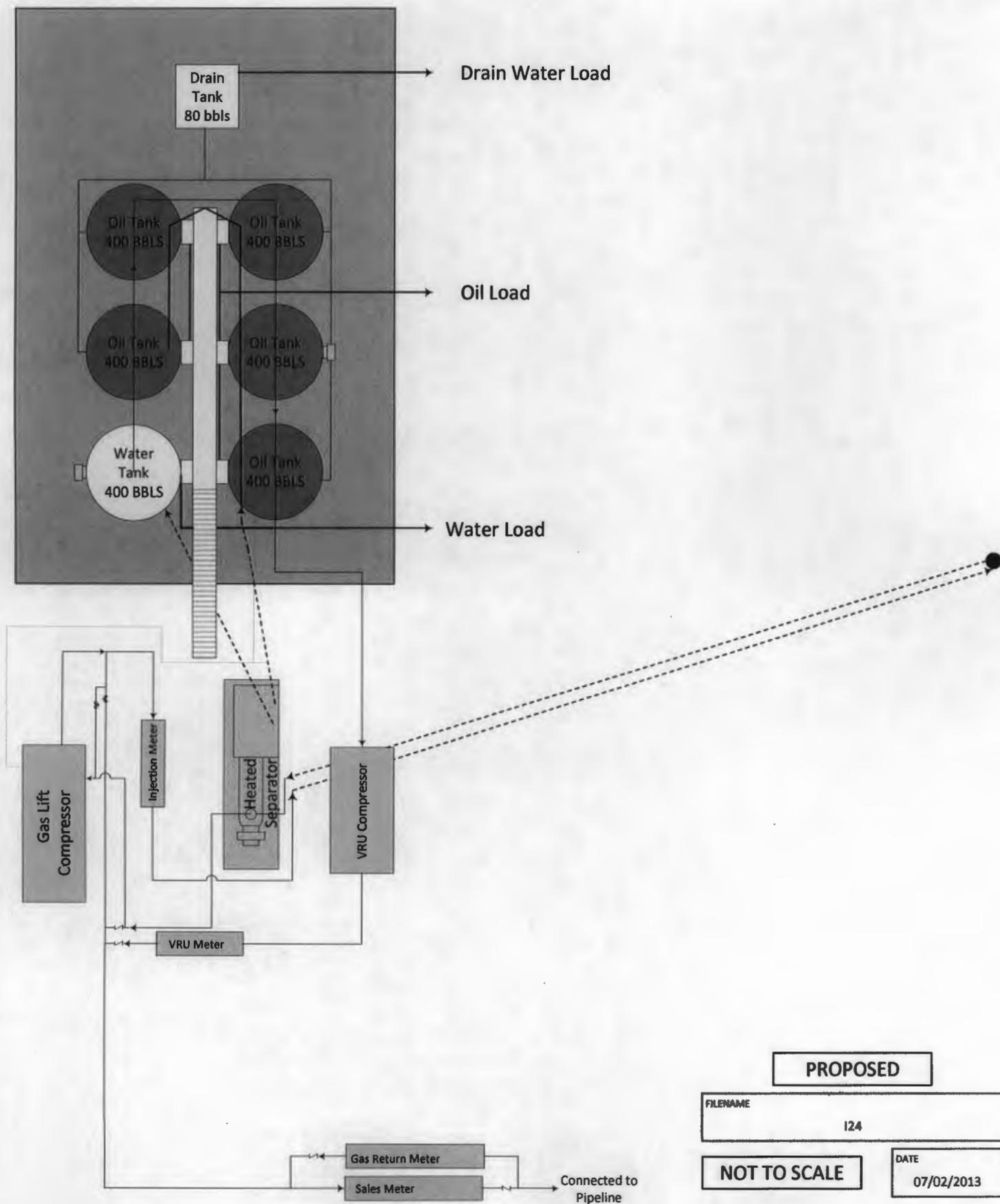


## Gas Metering on Escrito D30-2408 with Gas Lift

The Escrito D30-2408 will have two additional gas meters installed for use with the gas lift system. The typical sales gas meter continues to be used for the same functionality as if the well did not have gas lift. The additional meters are a gas return meter and an injection (for information purposes only) meter.

The gas return meter is used to meter any gas that is brought back from the Elm Ridge Pipeline for kickoff and re-start purposes only. This meter will be installed parallel to the sales meter with check valves preventing back flow through either meter. The gas return volume is expected to be minimal on a monthly basis. Once the well is producing excess gas from what is being circulated, the gas is sold and no return gas is used. The only difference from a typical well setup is that at the end of the month, the sales meter and gas return meter are combined to determine the net sales volume.

The second additional meter on the pad is the injection meter which is used for metering the injection gas that is circulated through the wellbore. This meter is for informational / operational optimization purposes only. Since this meter is upstream of the sales meter, this meter is not used to calculate sales volumes.



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July 11, 2013

**Transmitted Via Certified Mail**

Ms. Jami Bailey  
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

**Re: Application for Gathering System  
Escrito I24-2409 Gathering System  
San Juan County, New Mexico**

Dear Ms. Bailey and Mr. Evans:

Encana Oil & Gas (USA) Inc. (Encana) requests Administrative Approval for a new gathering system, known as the Escrito I24-2409 Gas Gathering System, which will be installed, maintained and operated by Encana. At this point, this requires surface commingling of gas, and in some cases off-lease measurement. There will not be any commingling of oil or condensate in the pipeline and there is no Indian acreage associated with any of the wells to be added. Initially, two (2) wells will be authorized for connection to this Gathering System, which are listed on Attachment No. 1, all of which will be operated by Encana. The Gathering System will tie into the Elm Ridge Gas Pipeline CDP in the NESE of Section 32, T24N R8W. Please note, the Escrito I24-2409 pipeline currently ties into a pipeline that Encana applied for (BLM ROW Grant NMNM 129003) and currently operates. It was initially Encana's intent to transfer said pipeline to Elm Ridge Gas where the custody transfer of gas would occur; in the NESE of Section 24, T24N R9W, which would have been on-lease. However, Encana intends to move the custody transfer of natural gas to the NESE of Section 32, T24N R8W prior to tying an additional well, the Escrito D30-2408 01H, into the Escrito I24-2409 pipeline.

As you are most likely aware, in order to optimally develop horizontal wells, Encana has proceeded with permitting various well pads in the section adjacent to the Project Area (PA) and/or developed acreage. Therefore, in some instances, the well pad surface hole location (SHL) is located off-lease. In these instances, Off-Lease Measurement of natural gas will occur at the well head by a well allocation meter and again at the pipeline tie-in to the Elm Ridge Gas Pipeline central delivery point, gas custody transfer meter. Further, Encana intends to install a gas lift compressor on each well as depicted and described in Attachment No 5. Please note, Encana intends to submit to the Bureau of Land Management (BLM) a sundry to formally request approval to install the gas lift on these wells, which, once approved, will be forwarded on to the New Mexico Oil Conservation Division (NMOCD) for their approval. There will not be any commingling of oil or condensate with naturally produced gas in the pipeline.

Enclosed please find the following:

**A. Administrative Application Checklist for Pool/Lease Commingling dated July 2, 2013.**

**B. State of New Mexico Oil Conservation Division Form C-107-B, Application for Pool/Lease Commingling dated July 2, 2013. Attached to and made part of the Application for Pool/Lease Commingling please find the following:**

**Attachment No. 1:** Presents the wells, leases and pool information for the (2) well.

Encana Oil & Gas (USA) Inc.

370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202 720.876.3533 (O) 303.482.6819 (C) [katie.wegner@encana.com](mailto:katie.wegner@encana.com)



**Attachment No. 2:** Presents a map of the Escrito I24-2409 pipeline, depicting the two (2) wells that will tie into this Gathering System which will tie into Elm Ridge's CDP meter in the the NESE of Section 32, T24N R8W. The Escrito I24-2409 pipeline is approximately 6,400-feet in length, stretching across BLM and State of New Mexico Land Office (SLO) surface. Encana received an approval grant for the Escrito I24-2409 pipeline right-of-way from the BLM on October 9, 2012, and received approval for the state easement for this pipeline on August 30, 2012.

Condensate and oil will be separated, stored and sold on each lease. Each well will be equipped with a continuous recording gas allocation meter (or some form of approved alternative measurement) operated and maintained by Encana. Prior to converting any gas measurement from a conventional allocation meter to an alternative measurement method, Encana will seek formal approvals. The allocation procedures are presented on **Attachment No. 5**.

Condensate and oil will be separated, stored and sold at the well head SHL, which is off-lease. Depending on their availability Encana will enlist the services of High Tech Tools, LLC (mailing address: PO Box 1244 Aztec, NM 87410; phone number: 505-334-2266) or Three Rivers Trucking, Inc. (mailing address: PO Box 2728, Farmington, NM 87499; phone number: 505-632-5300) to transport produced water to Basin Disposal Inc. (address: 300 Legion Road, Aztec, NM 87410; phone number: 505-334-3013). Produced water will be generally measured using tank gauges.

Encana will enlist Western Refining, to transport and purchase crude oil from the Good Times L10-2410 01H to the Gallup Refinery (location: I-40, Exit 39, Jamestown, NM 87347; Route 3, Box 7, Gallup, NM 87301; phone number: 505-722-3833). Western Refining will provide a strapping table measurement for each oil tank at the facility which will be used to determine the exact volume in each tank. Run tickets will be filled out for each load of oil, onsite, which will show the tank gauge readings, oil gravity, temperature and BS&W content. Each valve on the tanks will have seals. Records will be kept and logged into an internal database that will show when seals are installed and removed. The tank seal information is also recorded on the tickets, which will accompany the transportation of the oil.

**Attachment No. 2(a):** Presents the well dedication acreage for each well included in this application as depicted on the NMOCD Form C-102.

**Attachment No. 3:** Presents a leasehold ownership summary for the two (2) wells. The royalty interest is entirely federal. There are no Indian, State or Fee Royalties. The interest ownership reflected for each well is to the best of our knowledge at this time. In the event it is determined that interest ownership differs, an updated Attachment No. 3 will be sent to affected owners, the BLM and the OCD. As required by the NMOCD all interest owners have been given notice of this application. As provided by Rule 19.15.12.10C(g)(i&ii), Encana is requesting that the NMOCD order issued for the Escrito I24-2409 Gathering System also include a provision that for future additions to this Gathering System, only the interest owners in the wells being added need to be notified, provided that in reasonable probability the proposed additions will not adversely affect the interest owners in the well already approved for the system.

**Attachment No. 4:** Presents a copy of the notice sent to the interest owners for the wells. All notice letters have been mailed certified, return receipt. Upon receiving the return receipts, copies will be forwarded to the NMOCD.

**Attachment No. 5:** Presents the allocation procedures for the Escrito I24-2409 Gathering System. Additionally is included a schematic presenting the pipeline interconnect between the Escrito I24-2409 pipeline and the Elm Ridge Pipeline.

**Attachment No. 6:** Presents gas lift well pad schematics and descriptions for all wells included in this application.

Encana Oil & Gas (USA) Inc.

370 17<sup>th</sup> Street, Suite 1700, Denver Colorado 80202 720.876.3533 (O) 303.482.6819 (C) [katie.wegner@encana.com](mailto:katie.wegner@encana.com)



In conclusion, Encana is requesting approval to install and operate a new gas gathering system to be called the Escrito 124-2409 Gas Gathering System, which will require surface commingling. Where applicable, Encana requests Administrative Approval for Off-Lease Measurement and Sale of natural produced gas. In addition, we are requesting that the NMOCD order issued for the Gathering System also include a provision that for future additions to the Gathering System, only the interest owners in the wells being added need to be notified.

Please feel free to contact me directly at 720-876-3533 with any questions or concerns.

Encana Oil & Gas (USA) Inc.

A handwritten signature in black ink, appearing to read "Katie Wegner". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Katie Wegner  
Regulatory Analyst

Enc.