

DATE IN 5/2/2014	SUSPENSE	ENGINEER MAM	LOGGED IN 5/10/2014	NSP NSL	PMAM 1412629627 PMAM 1412629121
ABOVE THIS LINE FOR DIVISION USE ONLY				DHC	PMAM 1412629846

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 _____

[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

-NSL 7086
 -NSP 1984
 -DHC 4675
 -EN CANA OIL & GAS
 282327

Well
 - Lybrook P28 2307
 24
 30-043-Pending
Pool
 - Alamito - Gallup
 1039
 - Basin Mancos
 97232

[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

ATTORNEY

Title

Date

mfeldewert@hollandhart.com

e-mail Address

5/2/14
 04/2014



May 2, 2014

VIA HAND DELIVERY

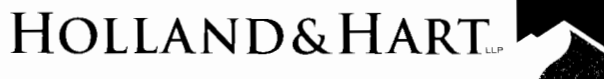
Jami Bailey
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of a 80-acre non-standard spacing unit in the Basin Mancos Gas Pool (97232); approval of an unorthodox well location in the Basin Mancos Gas Pool; and approval of downhole commingling of production from the Alamito Gallup Oil Pool (1039) and the Basin Mancos Gas Pool, Section 28, Township 23 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico.

Dear Ms. Bailey:

Encana Oil & Gas (USA) Inc. (OGRID No. 282327) plans to drill the **Lybrook P28-2307 02H Well** as a horizontal well in the S/2S/2 of Section 28, Township 23 North, Range 7 West, Sandoval County, New Mexico, from a surface location 1318 feet from the South line and 43 feet from the East line (Unit P). The completed interval for the well will commence 725 feet from the South line and 330 feet from the East line (Unit P) to a bottom hole location 725 feet from the South line and 330 feet from the West line (Unit M). The S/2SE/4 of Section 28 is located in the Alamito Gallup Oil Pool (1039) and is subject to Statewide Rules 19.15.15.9 NMAC. The S/2SW/4 of said Section 28 is located in the Basin Mancos Gas Pool (97232) and subject to the Special Rules created under Order R-12984.

Since the Alamito Gallup Oil Pool is an unlisted pool under Order R-12984, the portion of the proposed wellbore in the S/2SW/4 must comply with the Special Rules for the Basin Mancos Gas Pool. See Exhibit A to Order R-12984 (special rules) at Rule 1. These special rules require 320-acre spacing units and 660 foot setbacks from the outer boundary of the spacing units. *Id.* at Rule 2. The completed interval for Encana's proposed well is closer than 660 feet from the North and West lines of the proposed non-standard spacing unit. Accordingly, the proposed well's location is non-standard under the Basin Mancos Special Pool Rules. In contrast, the Statewide Rules require 40-acre spacing units and 330 foot setbacks from the outer boundary of the spacing units.



To efficiently develop this acreage under these circumstances, Encana requires approval of the following:

- (1) a non-standard 80-acre spacing and proration unit in the Basin Mancos Gas Pool comprised of the S/2SW/4 of Section 28;
- (2) commingling of the production from these two adjacent pools in the horizontal wellbore; and
- (3) a non-standard location in the Basin Mancos Gas Pool.

Exhibit A is the Well Location and Acreage Dedication Plat (Form C-102) for the proposed **Lybrook P28-2307 02H Well** in the S/2S/2 of Section 28.

Exhibit B is a land plat depicting the proposed **Lybrook P28-2307 02H Well** in relation to adjoining units and further identifies the owners in the affected leases.

Exhibit C is a completed Form C-107-A (Application for Downhole Commingling).

Dugan Production Corp. and QEP Energy Co. are the only affected parties by Encana's request for approval of the non-standard well location, for the request to create a non-standard spacing unit in the Basin Mancos Gas Pool, and for the request to downhole commingle the Alamito Gallup Oil Pool and the Basin Mancos Gas Pool. A copy of this application with all attachments has been sent by certified mail to Dugan and QEP 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. In addition, a courtesy copy has been provided to the Bureau of Land Management's Farmington Office due to the well's encroachment to the West.

Your attention to this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael H. Feldewert".

Michael H. Feldewert

ATTORNEY FOR ENCANA OIL & GAS (USA).

cc:

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

Dugan Production Corp.
709 Murray Drive
Farmington, NM 87401

QEP Energy Co.
1050 17th Street, Ste 500
Denver, CO 80265

District I
1625 N. French Drive, Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

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) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Drive, Santa Fe, NM 87505
Phone: (505) 476-3450 Fax: (505) 476-3452

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to
Appropriate District Office

OIL CONSERVATION DIVISION

1220 South St. Francis Drive
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code	*Pool Name
		97232 / 1039	BASIN MANCOS / ALAMITO - GALLUP
*Property Code	*Property Name		*Well Number
	LYBROOK P28-2307		02H
*GRID No.	*Operator Name		*Elevation
282327	ENCANA OIL & GAS (USA) INC.		6940'

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	28	23N	7W		1318	SOUTH	43	EAST	SANDOVAL

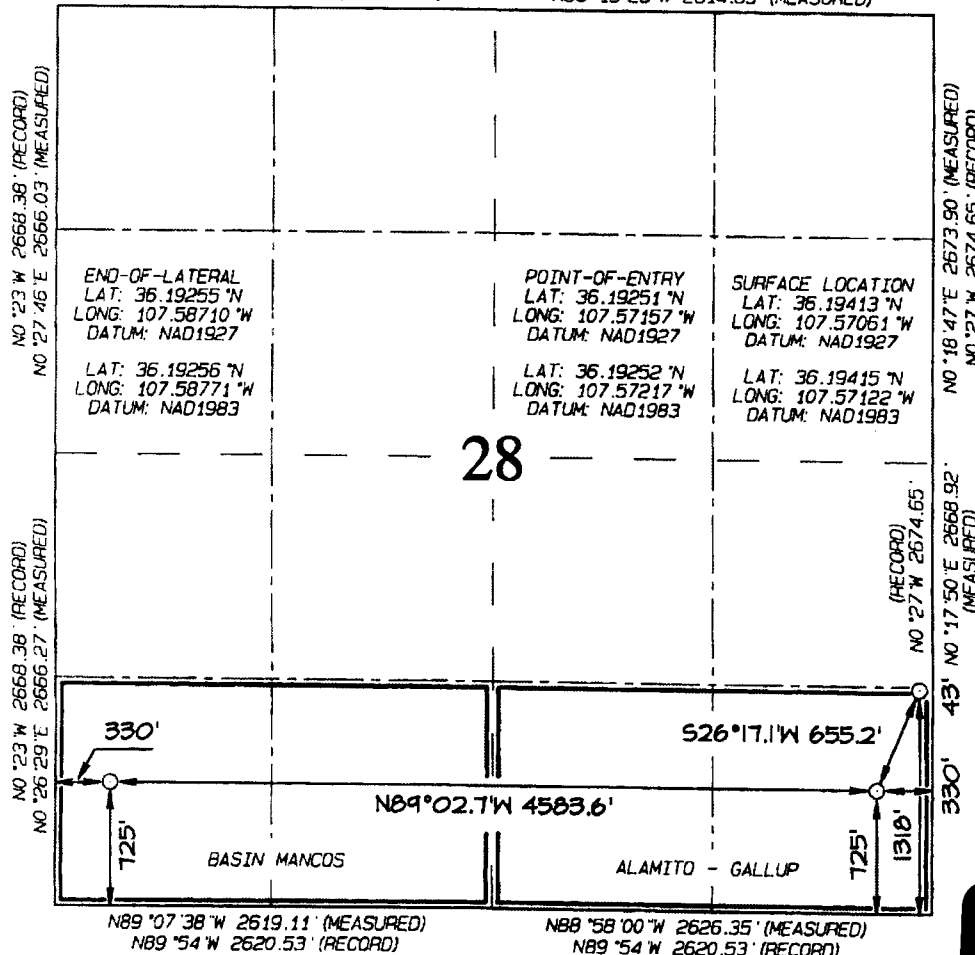
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	28	23N	7W		725	SOUTH	330	WEST	SANDOVAL

¹² Dedicated Acres	160.00 Acres S/2 S/2 - Section 28	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

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

¹⁶ N89°53'W 2614.92' (RECORD) N89°53'W 2614.92' (RECORD)
N89°03'52"W 2617.05' (MEASURED) N89°15'23"W 2614.63' (MEASURED)



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: Holly Hill Date: 1/7/14

Printed Name: Holly Hill

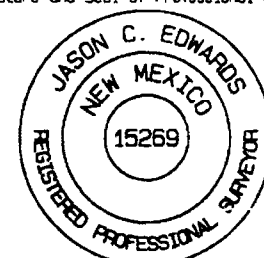
E-mail Address: holly.hill@encana.com

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: DECEMBER 12, 2013
Date Survey: OCTOBER 10, 2013

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
15269

EXHIBIT

A

Sheet A

Encana Oil & Gas (USA) Inc.
Application for Exception to Rule
Non-Standard Spacing Unit, Non-Standard Location
and Downhole Comingling
Basin Mancos Gas Oil Pool and Alamito Gallup Associated Pool
San Juan County, New Mexico



District I
1925 N French Drive, Hobbs, NM 88240

District II
8113 S. First St., Artesia, NM 88210

District III
1500 Rio Grande Road, Aztec, NM 87410

District IV
1230 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised August 1, 2011

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☐ Yes ☒ No

APPLICATION FOR DOWNHOLE COMMINGLING

Encana Oil & Gas (USA), Inc.

370 17th Street, Suite 1700, Denver, CO 80202

Operator

Address

NMNM 58878

Lybrook P28-2307 02H

P-28-23N-7W

Sandoval

Lease

Well No.

Unit Letter-Section-Township-Range

County

OGRID No. 282327 Property Code pending API No. pending Lease Type: ☒ Federal ☐ State ☐ Fed

DATA ELEMENT	Units M and N	Units O and P	
Pool Name	Basin-Mancos	Alamito-Gallup	
Pool Code	97232	1039	
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	Top Mancos Shale-4185' Top Gallup-4976' TVD Base Gallup-5334' TVD	Top Mancos Shale-4185' Top Gallup-4976' TVD Base Gallup-5334' TVD	Note: This Commingling Application is to commingle two pools in the same formation. This will be a horizontal well bore and the entire producing lateral will be +/- 5261-5239' TVD
Method of Production (Flowing or Artificial Lift)			
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation is in the lower zone within 150% of the depth of the top perforation in the upper zone)	+/- 1645 psi	+/- 1645 psi	
Oil Gravity or Gas BTU (Degree API or Gas BTU)	41 degrees API	41 degrees API	
Producing, Shut-In or New Zone	New Zone	New Zone	
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: Rates:	Limited test data available at this time. See attached Letter.	
Fixed Allocation Percentage (Note: If allocation is based upon acreage, other than current or past production, supporting data or explanation will be required.)	Oil Gas 50 % 50 %	Oil Gas 50 % 50 %	Oil Gas % %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?

Yes ☒ No ☐

If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No ☐

Will commingling decrease the value of production?

Yes ☐ No ☒

If this well is on, or communized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ☒ No ☐

NMOC Reference Case No. applicable to this well: _____

Attachments:

C-102 for each zone to be commingling showing its spacing unit and acreage dedication.

Production curve for each zone for at least one year. (If not available, attach explanation.)

For zones with no production history, estimated production rates and supporting data.

Data to support allocation method or formula.

Notification list of working, royalty and overriding royalty interests for uncommon interest cases.

Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools

List of all operators within the proposed Pre-Approved Pools

Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.

Bottomhole pressure data.

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

SIGNATURE Jessica Gregg TITLE Regulatory Analyst DATE 04/29/14

TYPE OR PRINT NAME Jessica Gregg TELEPHONE NO. (720) 876-3926

E-MAIL ADDRESS jessica.gregg@encana.com





April 30, 2014

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Lybrook P28-2307 02H C-107A
Sandoval County, New Mexico

Ladies and Gentlemen:

Please find attached the New Mexico Oil Conservation Division Downhole Commingling Form C-107A, for Encana Oil & Gas (USA) Inc.'s (Encana) Lybrook P28-2307 02H well. Please note that the Date and Oil/Gas/Water Rates of Last Production have not been specifically populated on the C-107A form as downhole commingling is based on acreage allocation for the two applicable pools, the Basin Mancos Gas Pool (S2SW of Section 28, T23N, R7W) and the Alamito Gallup Pool (S2SE of Sec 28, T23N, R7W).

Please feel free to contact me directly at 720-876-3926 with any questions or concerns.

Encana Oil & Gas (USA) Inc.

A handwritten signature in cursive script, appearing to read "Jessica Gregg".

Jessica Gregg
Regulatory Analyst

Enclosed

- New Mexico Oil Conservation Division Downhole Commingling Form C-107A

Encana Oil & Gas (USA) Inc.

370 17th Street, Suite 1700, Denver Colorado 80202 720.876.3926 (O) 720.838.5458 (C) jessica.gregg@encana.com

HOLLAND & HART



Michael H. Feldewert
Recognized Specialist in the Area of Natural
Resources - oil and gas law - New Mexico
Board of Legal Specialization
mfeldewert@hollandhart.com

May 2, 2014

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED PARTIES

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of a 80-acre non-standard spacing unit in the Basin Mancos Gas Pool (97232); approval of an unorthodox well location in the Basin Mancos Gas Pool; and approval of downhole commingling of production from the Alamito Gallup Oil Pool (1039) and the Basin Mancos Gas Pool, Section 28, Township 23 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico.

To Whom It May Concern:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from this date with the applicant and the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Paula M. Rauchfuss
Encana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, Colorado 80202
(720) 876-3801
Paula.Rauchfuss@encana.com

Sincerely,

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

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ☎