

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



30-045-35313
Escrito P16-2409 #1H
Encana Oil and Gas

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]

30-045-35362

Escrito I16-
2409 #1H

1962

[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 _____

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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,
[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.

Michael H. Feldewert
Print or Type Name

Signature

Title

Date

Attorney
m.feldewert@hollandhart.com
e-mail Address



February 28, 2013

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

RECEIVED 000
MAR 01 2013

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an Exception to Rule 2 of the Special Rules for Bisti-Lower Gallup Oil Pool for the S/2 Section 16, Township 24 North, Range 9 West, San Juan County.

Dear Ms. Bailey:

Encana Oil & Gas (USA) Inc. (OGRID No. 282327) hereby seeks administrative approval of an exception to Rule 2 of the Special Rules and Regulations for the Bisti-Lower Gallup Oil Pool for the S/2 of Section 16, T-24-N, R-9-W. These Special Rules were adopted in 1983 under Commission Order R-1069-B and limit the orientation of the approved 80-acre spacing units to either the N/2 or the S/2 of a single governmental quarter section. Encana seeks authority to dedicate 80-acre spacing units comprised of the E/2 and the W/2 of a single governmental quarter section to two horizontal wells located in the S/2 of Section 16. Rule 4 of the Special Rules authorizes the "Secretary-Director of the Commission" to grant administrative exceptions to Rule 2 so long as there are no objections by offsetting operators within one-half mile of the subject area.

Approval of this application will allow Encana to dedicate the entire S/2 of Section 16 as the project area for the two horizontal wells identified in the proposed Form C-102s attached hereto as **Exhibit A** (the (Escrito P16-2409 01H in the S/2 S/2 and Escrito I16-2409 01H in the N/2 S/2). This project area will not only allow for efficient development of the acreage, but also conform the project area to a State Communitization Agreement which has been in place for this acreage since November of 2011. See **Exhibit B**. Indeed, since June of 2012 the proceeds from the production from the initial well drilled on S/2 S/2 of this acreage (Escrito P16-2409 01H) have been shared with all of the interest owners in the S/2 of Section 16 pursuant to this existing State Communitization Agreement. Without approval of an exception to Rule 2, Encana will be forced to:



- (a) rescind the existing Communitization Agreement and obtain signatures and state approval of new communitization agreements for each individual well; and
- (b) adjust months of accounting to the interest owners in the S/2 of Section 16, in particular the interest owners in the N/2 S/2 of Section 16 that have shared in the production from the initial well since June of 2012.

In essence, granting this application will allow Encana to maintain the status quo to the benefit all of the interest owners in this acreage.

Exhibit C is a plat showing the leases in Section 16 and the surrounding sections. **Exhibit D** is a list of the operators within one-half mile of the S/2 of Section 16. Notice of this application has been provided to these operators pursuant to the provisions of Rule 4 of the Special Rules.

A copy of this application has also been provided to the Mr. Terry Warnell and Mr. Pete Martinez at the New Mexico State Land Office, both of whom have participated in meetings with Encana about this acreage and the existing Communitization Agreement.

Your attention to this application is greatly appreciated.

Sincerely,

Michael H. Feldewert

ATTORNEY FOR ENCANA OIL & GAS USA.

MHF

cc: Pete Martinez
Terry Warnell
New Mexico State Land Office

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-35313	² Pool Code 5890	³ Pool Name BISIT LOWER-GALLUP
⁴ Property Code	⁵ Property Name ESCRITO P16-2409	⁶ Well Number 01H
⁷ GRID No. 282327	⁸ Operator Name ENCANA OIL & GAS (USA) INC.	⁹ Elevation 6823'

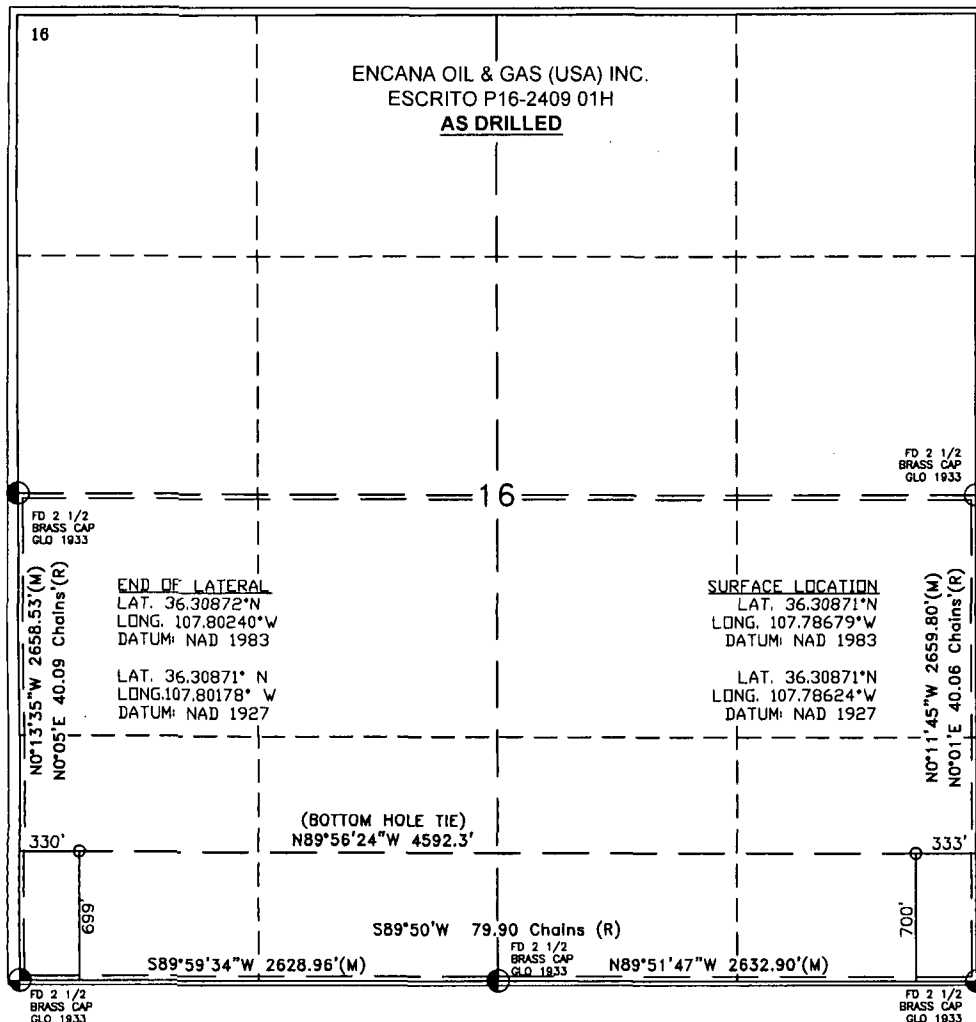
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	16	24-N	9-W		700'	SOUTH	333'	EAST	SAN JUAN

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	16	24-N	9-W		699'	SOUTH	330'	WEST	SAN JUAN
¹² Dedicated Acres 320 ACRES - (S/2)		¹³ Joint or Infill		¹⁴ Consolidation Code		¹⁵ Order No.			

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.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

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.

25 APRIL 2012

Date of Survey _____
Signature and Seal of Professional Surveyor:

WILLIAM E. MAHNKE
#8466
WILLIAM E. MAHNKE
Certificate Number 8466

EXHIBIT

A

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) 476-3460 Fax: (505) 476-3462

OIL CONSERVATION DIVISION

1220 South St. Francis Drive
Santa Fe, NM 87505

Submit one copy to
Appropriate District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-35362	*Pool Code 5890	*Pool Name BISTI LOWER - GALLUP
*Property Code	*Property Name ESCRITO I16-2409	*Well Number 01H
*OGRID No. 282327	*Operator Name ENCANA OIL & GAS (USA) INC.	*Elevation 5821'

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
I	16	24N	9W		2230	SOUTH	300	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

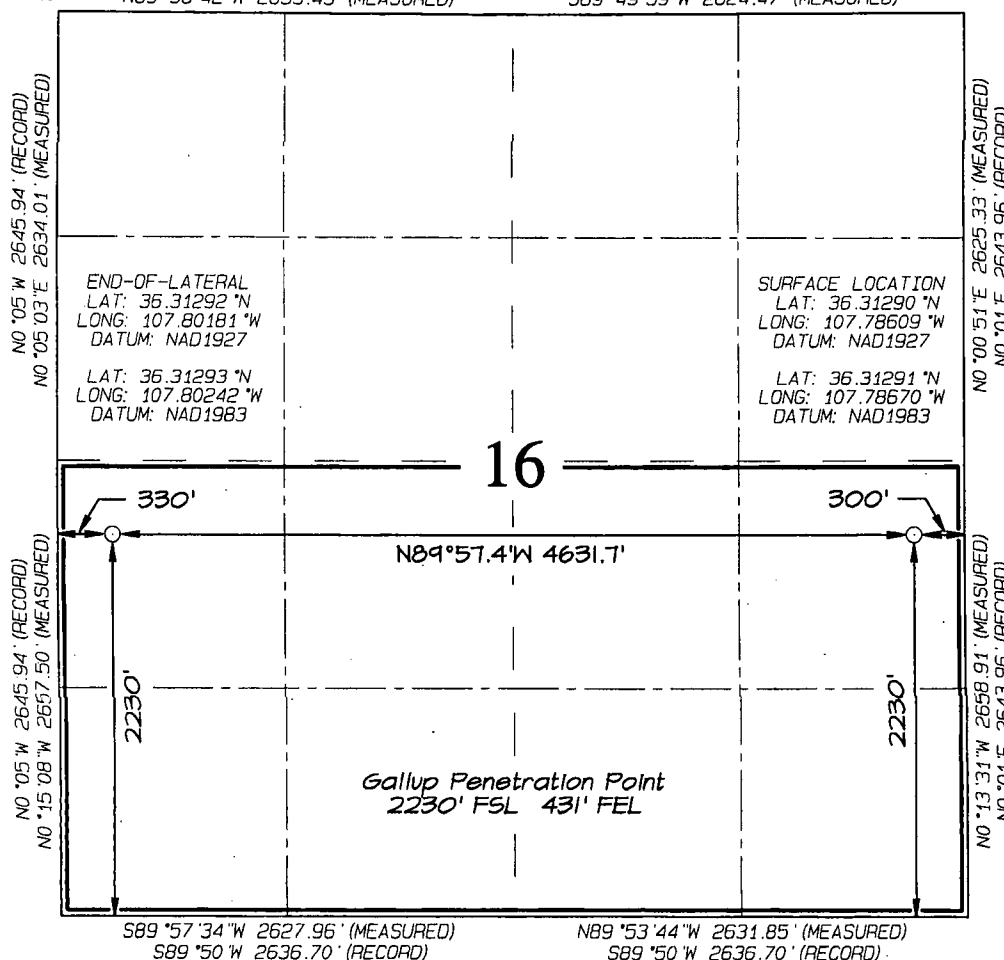
U.L. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	16	24N	9W		2230	SOUTH	330	WEST	SAN JUAN

12 Dedicated Acres	320.0 Acres - S/2	13 Joint or Infill	14 Consolidation Code	15 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

589°52'W 2639.34' (RECORD)
N89°36'42"W 2633.43' (MEASURED)

S89°52'W 2639.34' (RECORD)
S89°49'59"W 2624.47' (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 or agreement or such a mineral working interest or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the Division.

Signature _____ Date _____

Printed Name _____

F-mail Address

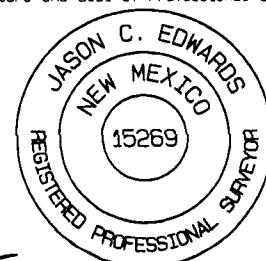
18 SURVEYOR CERTIFICATION

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: FEBRUARY 21, 2013

Survey Date: JANUARY 16, 2012

Signature and Seal of Professional Surveyor

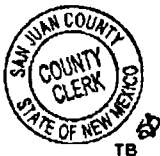


JASON C. EDWARDS
Certificate Number 15269



201201057 01/27/2012 11:21 AM
1 of 1 B1535 P612 R \$25.00

San Juan County, NM DEBBIE HOLMES



This document
received as altered
for recordation.

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

Encana Oil and Gas (USA) Inc.
Escrito P16 2409 Well No. 1H
S2, Section 16, Township 24 North, Range 9 West, San Juan County, New Mexico
Gallup

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, a Communitization Agreement for the development and operation of acreage which is described within the referenced Agreement, dated November 1, 2011, which has been executed, or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the State, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 11th day of January, 2012.



Ray Powell
COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

EXHIBIT

B

COMMUNITIZATION AGREEMENT
ONLINE Version

KNOW ALL MEN BY THESE PRESENTS:

STATE OF NEW MEXICO)
COUNTY OF SAN JUAN) ss)

THAT THIS AGREEMENT [which is NOT to be used for carbon dioxide or helium] is entered into as of November 1, 2011, by and between the parties subscribing, ratifying or consenting hereto, such parties hereinafter being referred to as "Parties hereto";

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by the Legislature, as set forth in Sec. 19-10-53, New Mexico Statutes, Annotated, 1978, in the interest of conservation of oil & gas and the prevention of waste to consent to and approve the development or operation of State lands under agreements made by lessees of oil & gas leases thereon, jointly or severally with other oil & gas lessees of State Lands, or oil and gas lessees or mineral owners of privately owned or fee lands, for the purpose of pooling or communitizing such lands to form a proration unit or portion thereof, or well-spacing unit, pursuant to any order, rule or regulation of the New Mexico Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department where such agreement provides for the allocation of the production of oil or gas from such pools or communitized area on an acreage or other basis found by the Commissioner to be fair and equitable.

WHEREAS, the parties hereto, own working, royalty, or other leasehold interests or operating rights under the oil and gas leases and lands subject to this agreement, which leases are more particularly described in the schedule attached hereto, marked Exhibit "A" and made a part hereof, for all purposes; and

WHEREAS, said leases, insofar as they cover the Gallup formation (hereinafter referred to as "said formation") in and under the land hereinafter described cannot be independently developed and operated in conformity with the well spacing program established for such formation in and under said lands; and

WHEREAS, the parties hereto desire to communitize and pool their respective interests in said leases subject to this agreement for the purpose of developing, operating and producing hydrocarbons in the said formation in and under the land hereinafter described subject to the terms hereof.

NOW THEREFORE, in consideration of the premises and the mutual advantages to the parties hereto, it is mutually covenanted and agreed by and between the undersigned as follows:

1. The lands covered by this agreement (hereinafter referred to as the "communitized area") are described as follows:

Subdivisions South Half (S/2)

Of Sect 16 Twnshp 24N Rng 9W NMPM San Juan County, NM

containing 320.00 acres, more or less. It is the judgment of the parties hereto that the communitization, pooling and consolidation of the aforesaid land into a single unit for the development and production of hydrocarbons from the said formation in and under said land is necessary and advisable in order to properly develop and produce the hydrocarbons in the said formation beneath the said land in accordance with the well spacing rules of the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and in order to promote the conservation of the hydrocarbons in and that may be produced from said formation in and under said lands, and would be in the public interest;

AND, for the purposes aforesaid, the parties hereto do hereby communitize for proration or spacing purposes only the leases described in Exhibit "A" hereto insofar as they cover hydrocarbons within and that may be produced from the said formation (hereinafter referred to as "Communitized Substances") beneath the above-described land, into a single communitization, for the development, production, operation and conservation of the hydrocarbons in said formation beneath said lands.

Attached hereto and made a part of this agreement for all purposes, is Exhibit A showing the acreage, and ownership (Lessees of Record) of all leases within the communitized area.

2. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leases described in Exhibit "A" hereto in the proportion that the number of surface acres covered by each of such leases and included within the communitized area bears to the total number of acres contained in the communitized area.
3. Subject to Paragraph 4, the royalties payable on communitized substances allocated to the individual leases and the rentals provided for in said leases shall be determined and paid in the manner and on the basis prescribed in each of said leases. Except as provided for under the terms and provisions of the leases described in Exhibit "A" hereto or as herein provided to the contrary, the payment of rentals under the terms of said leases shall not be affected by this agreement; and except as herein modified and changed or heretofore amended, the oil and gas leases subject to this agreement shall remain in full force and effect as originally issued and amended. *T/Factor*
4. The State of New Mexico hereafter is entitled to the right to take in kind its share for the communitized substances allocated to such tract, and Operator shall make deliveries of such royalty share taken in kind in conformity with applicable contracts, laws, and regulations. *T/K*
5. There shall be no obligation upon the parties hereto to offset any well or wells situated on the tracts of land comprising the communitized area, nor shall the Operator be required to measure

separately the communitized substances by reason of the diverse ownership of the separate tracts of land comprising the said communitized area; provided, however, that the parties hereto shall not be released from their obligation to protect the communitized area from drainage of communitized substances by wells which may be drilled within offset distance (as that term is defined) of the communitized area.

6. The commencement, completion, and continued operation or production of a well or wells for communitized substances on the communitized area shall be considered as the commencement, completion, continued operation or production as to each of the leases described in Exhibit "A" hereto.

7. The production of communitized substances and disposal thereof shall be in conformity with the allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State laws. This agreement shall be subject to all applicable Federal and State laws, executive orders, rules and regulations affecting the performance of the provisions hereof, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if compliance is prevented by or if such failure results from compliance with any such laws, orders, rules and regulations.

8. Encana Oil & Gas (USA) Inc. shall be the Operator of said communitized area and all matters of operation shall be determined and performed by Encana Oil & Gas (USA) Inc.

9. This agreement shall be effective as of the date hereinabove written upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Commissioner of Public Lands, shall remain in full force and effect for a period of one year from the date hereof and as long thereafter as communitized substances are produced from the communitized area in paying quantities; provided, that this agreement shall not expire if there is a well capable of producing gas in paying quantities located upon some part of the communitized area, if such a well is shut-in due to the inability of the operator to obtain a pipeline connection or to market the gas therefrom, and if either: (a) a shut-in royalty has been timely and properly paid pursuant to the provisions of one of the State of New Mexico oil and gas leases covering lands subject to this agreement so as to prevent the expiration of such lease; or (b) each of the State of New Mexico oil and gas leases covering lands subject to this agreement is in its primary term (if a five-year lease), or in its primary or secondary term (if a ten-year lease), or is held by production from another well. Provided further, however, that prior to production in paying quantities from the communitized area, and upon fulfillment of all requirements of the Commissioner of Public Lands with respect to any dry hole or abandoned well drilled upon the communitized area, this Agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production of communitized substances if, within sixty (60) days thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence. As to lands owned by the State of New Mexico, written notice of intention to commence such operations shall be filed with the Commissioner within thirty (30) days after the cessation of such production, and a report of the status of such operations shall be made by the Operator to the

Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

13. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: ENCANA OIL & GAS (USA) INC. By: John Schopp JCS
Title: Vice-President Signature: [Signature] E-A
LESSEES OF RECORD: KOCH EXPLORATION COMPANY, LLC
By: _____
Print: _____
(Attach additional pages if needed) Title: _____

Commissioner every thirty (30) days, and the cessation of such operations for more than twenty (20) consecutive days shall be considered as an abandonment of such operations as to any lease from the State of New Mexico included in this agreement.

10. Operator will furnish the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department, and the Commissioner of Public Lands of the State of New Mexico, with any and all reports, statements, notices and well logs and records which may be required under the laws and regulations of the State of New Mexico.

11. It is agreed between the parties hereto that the Commissioner of Public Lands, or his duly authorized representatives, shall have the right of supervision over all operations under the communitized area to the same extent and degree as provided in the oil and gas leases described in Exhibit "A" hereto and in the applicable oil and gas regulations of the State of New Mexico.

12. If any order of the Oil Conservation Division of the New Mexico Energy Minerals and Natural Resources Department, upon which this agreement is predicated or based is in anyway changed or modified, then in such event said agreement is likewise modified to conform thereto.

13. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instruments, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written.

OPERATOR: ENCANA OIL & GAS (USA) INC. by _____

Title: _____ Signature: _____

LESSEES OF RECORD: KOCH EXPLORATION COMPANY, LLC

By: [Signature]

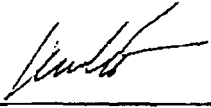
Print: Mr. J. [Signature]

Title: Attorney in Fact

(Attach additional pages if needed)

ADDITIONAL LESSEES OF RECORD:

QEP ENERGY COMPANY

By: 

Print: Austin S. Murr
Vice President - Land

Title: _____

DUGAN PRODUCTION CORPORATION

By: _____

Print: _____

Title: _____

ADDITIONAL LESSEES OF RECORD:

QEP ENERGY COMPANY

By: _____

Print: _____

Title: _____

DUGAN PRODUCTION CORPORATION

By: Thomas A. Dugan

Print: THOMAS A. DUGAN

Title: PRESIDENT

State/State or
State/Fee Communitization

Acknowledgment in an Individual Capacity

State of _____)
County of _____) SS)

This instrument was acknowledged before me on _____ Date

By _____
Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of Colorado)
City and County of Denver) SS)

This instrument was acknowledged before me on November 15, 2011

By John Schopp

Name(s) of Person(s)

as Vice-President, North Rockies of Encana Oil & Gas (USA) Inc.

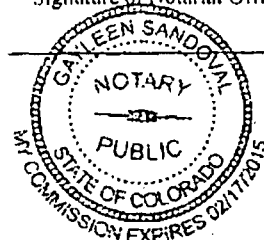
Type of authority, e.g., officer, trustee, etc

Name of party on behalf of whom instrument was executed

(Seal)

Gayle Sordahl
Signature of Notarial Officer

My commission expires: _____



State/State or

State/Fee Communitization

Acknowledgment in an Individual Capacity

State of _____)

SS)

County of _____)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of Colorado)

SS)

County of Douglas)

This instrument was acknowledged before me on October 31, 2011

By Margaret J. Connor

Name(s) of Person(s)

as Attorney in Fact of Koch Exploration Company, LLC

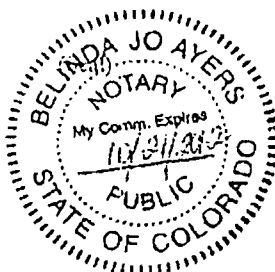
Type of authority, e.g., officer, trustee, etc

Name of party on behalf of whom instrument was executed

[Signature]

Signature of Notarial Officer

My commission expires: 10/21/2012



Acknowledgment in an Individual Capacity

State of _____)
County of _____) SS)

This instrument was acknowledged before me on _____ Date

By _____
Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of Colorado)
City and County of Denver) SS)

This instrument was acknowledged before me on November 30, 2011

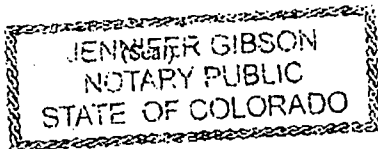
By Austin Murr

Name(s) of Person(s)

as Vice President, Land of OEP Exploration Company

Type of authority, e.g., officer, trustee, etc

Name of party on behalf of whom instrument was executed



Jennifer Gibson
Signature of Notarial Officer

My commission expires: 1-7-2015

Acknowledgment in an Individual Capacity

State of _____)

SS)

County of _____)

This instrument was acknowledged before me on _____ Date

By _____

Name(s) of Person(s)

(Seal)

Signature of Notarial Officer

My commission expires: _____

Acknowledgment in a Representative Capacity

State of New Mexico)

SS)

County of San Juan)

This instrument was acknowledged before me on Nov. 22, 2011

By THOMAS A. DUGAN

Name(s) of Person(s)

as PRESIDENT of Dugan Production Corporation

Type of authority, e.g., officer, trustee, etc

Name of party on behalf of whom instrument was executed

(Seal)

Cynthia L. Sweetland

Signature of Notarial Officer

My commission expires: 5-11-12

EXHIBIT A

Attached to and made a part of that Communitization Agreement dated November 1, 2011
by and between Encana Oil & Gas (USA) Inc., Dugan Production Corporation,
_____, _____ Company covering
the Subdivisions South Half (S/2)
Sect 16, Twnshp 24N, Rng 9W, NMPM San Juan County, NM

OPERATOR of Communitized Area: Encana Oil & Gas (USA) Inc.

DESCRIPTION OF LEASES COMMITTED:

TRACT NO. 1

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: Koch Exploration Company, LLC (75%) QEP Energy Company (25%)

Serial No. of Lease: B-10889 Date of Lease: December 22, 1943

Description of Lands Committed:

Subdivisions: NW/4SE/4

Sect 16 Twnshp 24N Rng 9W NMPM San Juan County NM

No. of Acres: 40.00

TRACT NO. 2

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: Dugan Production Corporation

Serial No. of Lease: V-7918 Date of Lease: December 1, 2006

Description of Lands Committed:

Subdivisions N/2SW/4, SE/4SW/4, NE/4SE/4, SW/4SE/4

Sect 16 Twnshp 24N Rng 9W NMPM San Juan County NM

No. of Acres: 200.00

TRACT NO. 3

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: Dugan Production Corporation

Serial No. of Lease: VO-8941 Date of Lease April 1, 2011

Description of Lands Committed:

Subdivisions SW/4SW/4, SE/4SE/4

Sect 16 Twnshp 24N Rng 9W NMPM San Juan County NM

No. of Acres: 80.00

TRACT NO. 4

Lessor: State of New Mexico acting by and through its Commissioner of Public Lands

Lessee of Record: _____

Serial No. of Lease: _____ Date of Lease: _____

Description of Lands Committed:

Subdivisions _____

Sect _____ Twnshp _____ Rng _____ NMPM _____ County NM


No. of Acres: _____


RECAPITULATION


Tract number	Number of Acres Committed	Percentage of Interest In Communitized Area
No. 1	<u>40.00</u>	<u>12.50%</u>
No. 2	<u>200.00</u>	<u>62.50%</u>
No. 3	<u>80.00</u>	<u>25.00%</u>
No. 4	_____	_____

Encana Oil & Gas (USA) Inc.
Application for Exception to Rule 2
Special Rules for Bisti-Lower Gallup Oil Pool
S2 Section 16, T24N-R9W
San Juan County, NM


Legend


 Proposed Project Area


 Encana


 Kaiser-Francis Oil Company

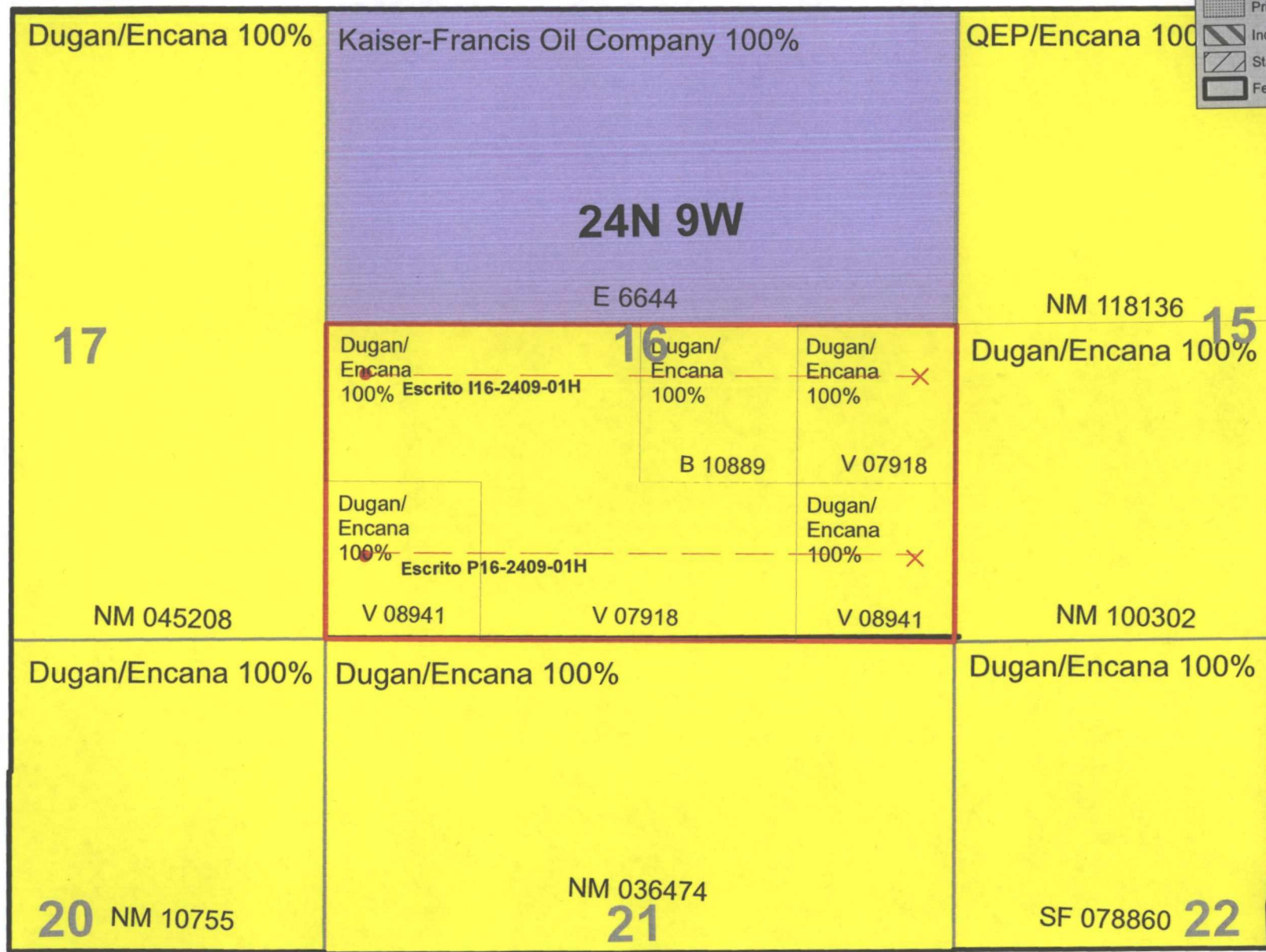
Surface Leases

 Private

 Indian

 State

 Federal



EXHIBIT

C

tabbles

EXHIBIT D

QEP Energy Company
1050 17th Street,
Suite 500
Denver, Colorado 80265
Attention: Jennifer Bates

Kaiser Francis Oil Company
Post Office Box 21468
Tulsa, Oklahoma 74127
Attention: Wayne Fields

Dugan Production Corp.
709 E. Murray Drive
Farmington, New Mexico 87401-6649
Attention: Kurt Fagrelus

HOLLAND & HART ^{LLP}



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

February 28, 2013

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO ALL AFFECTED PARTIES

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an Exception to Rule 2 of the Special Rules for Bisti-Lower Gallup Oil Pool for the S/2 Section 16, Township 24 North, Range 9 West, San Juan County.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced administrative application filed with the New Mexico Oil Conservation Division on February 28, 2013. As an owner of an interest that may be affected by this application, you may file a written objection to this application within twenty days with the Oil Conservation Division, located at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. If no objection is received within twenty-days of the filing of this application, it may be approved administratively by the Division.

If you have any questions about this application, please contact Ms. Mona Binion with Encana Oil & Gas (USA) Inc. at (720) 876-5325.

Sincerely,

Michael H. Feldewert
ATTORNEY FOR ENCANA OIL & GAS USA

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. ♻