

encana

May 15, 2013

Transmitted Via Certified Mail

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

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

**Re: Lybrook Trunk #1 Gathering System
Enterprise Pipeline Interconnect Schematic (Attachment No. 2(a))
Revised Allocation Method (Attachment No. 5)
Sandoval County, New Mexico**

Dear Ms. Bailey and Mr. Roybal:

Encana Oil & Gas (USA) Inc. (Encana) submitted an application to the New Mexico Oil Conservation Division (NMOCD) and the New Mexico State Land Office (NMSLO) for the Lybrook Trunk #1 Gathering System (LGS) on March 26, 2013. Subsequently, on April 11, 2013, Encana amended said application, submitting acreage dedication plats (i.e. C-102s), gas lift metering statements and gas lift schematics for each well Encana proposed to tie into the LGS due to discussions with the Bureau of Land Management (BLM) as to their information requirements for gathering systems. After recent discussions with the BLM, Encana now wishes to submit a revised Allocation Method (Attachment No. 5) as well as a schematic for the pipeline interconnect into Enterprise Products Partners (Enterprise) existing pipeline in the SWNW of Section 36, T23N R7W (Attachment 2(a)).

Therefore, please find enclosed the following:

- 1) **Attachment No. 2(a)** – Depicting the LGS connection to Enterprise's pipeline, known as the Enterprise 2C-161 pipeline, in the SWNW of Section 36, T23N R7W. This schematic provides further detail to the sales meter and custody transfer point into Enterprise 2C-161 depicted on Attachment No. 2 Encana originally submitted with the March 26, 2013 gathering system application. Please incorporate Attachment No. 2(a) into the LGS application.
- 2) **Attachment No. 5** – Revised Allocation Method which should replace the original Attachment No. 5 Allocation Method Encana submitted on March 26, 2013. Note the new Attachment No. 5 is two pages. Please replace the original Attachment No. 5 with the revised Attachment No. 5 enclosed.

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

Encana Oil & Gas (USA) Inc.



Holly Hill
Regulatory Analyst

Encana Oil & Gas (USA) Inc.

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



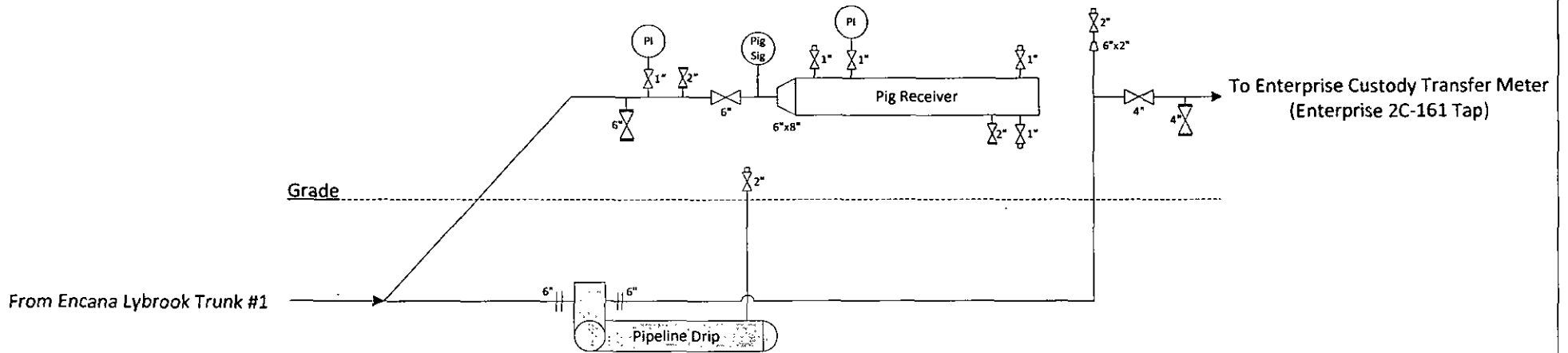
Enc.

cc: Bureau of Land Management, Attn: Mr. Dave Evans, Farmington, New Mexico

Encana Oil & Gas (USA) Inc.

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Attachment No. 2(a)
Encana Oil & Gas (USA) Inc.
Lybrook Trunk #1 Gathering System
Application
CDP: (Enterprise Pipeline Interconnect
SWNW Sec. 36, T23N R7W)
Sandoval County, NM



FILENAME

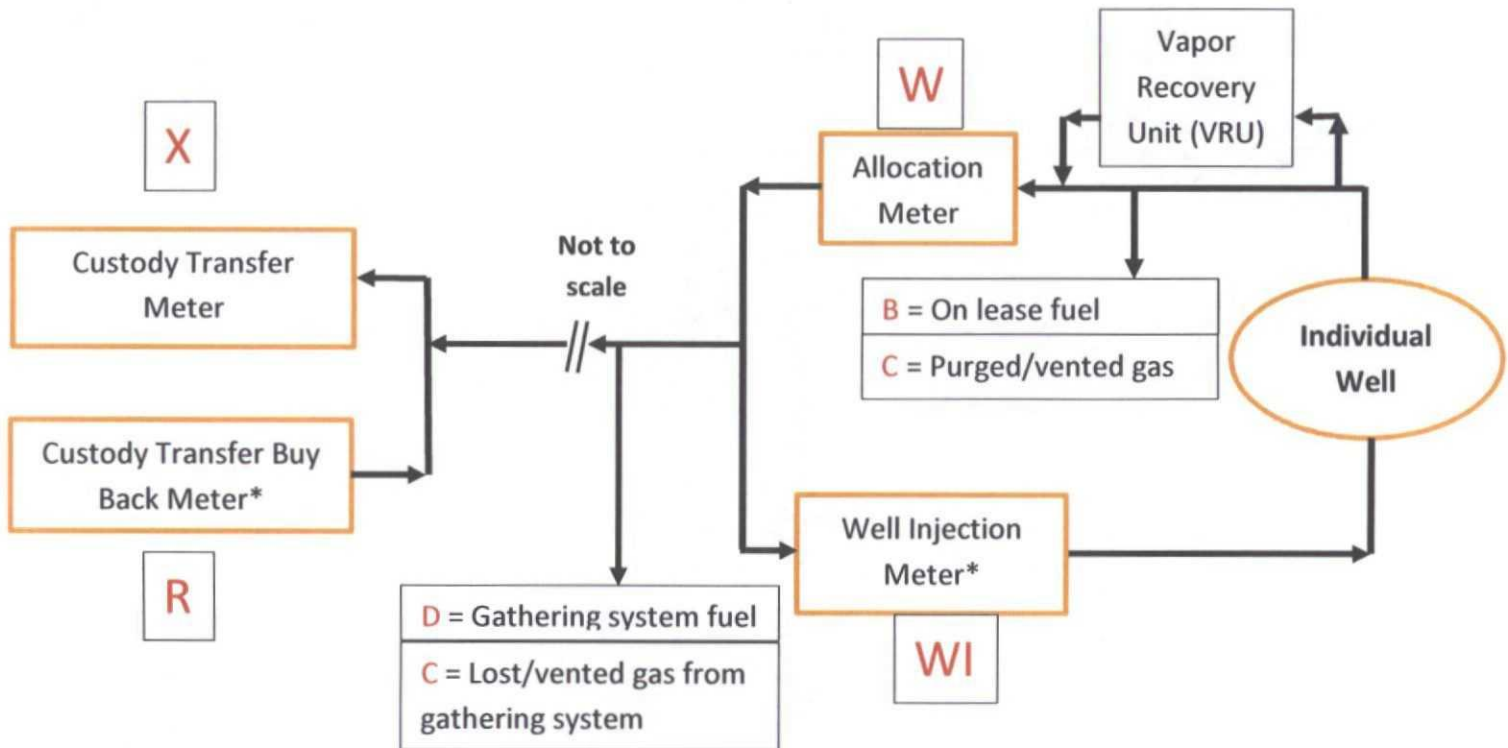
ENTERPRISE 2C-161 - ENCANA LYBROOK TRUNK
INTERCONNECT SCHEMATIC.VSD

NOT TO SCALE

DATE
05/15/13

Allocation Procedures

Lybrook Trunk #1 Gathering System



*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. (Enterprise)

R = Gas Volume (MCF) from Custody Transfer Buy Back Meter (Enterprise)*

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 Buy Back Meter during allocation period. (Enterprise)

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.
Lybrook Trunk #1 Gathering System
Sandoval County, NM

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 at 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.



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

Re: Lybrook Trunk #1 Gathering System
Enterprise Pipeline Interconnect Schematic (Attachment No. 2(a))
Revised Allocation Method (Attachment No. 5)
Sandoval County, New Mexico

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Please include these new attachments into the application Encana submitted to the BLM on March 26, 2013 for the LGS. As I am sure you are aware, Encana has received approval from the New Mexico State Land Office and the New Mexico Oil Conservation Division for the LGS.

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

Encana Oil & Gas (USA) Inc.

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Holly Hill
Regulatory Analyst

Enc.

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encana



cc: New Mexico Oil Conservation Division, Attn: Ms. Jami Bailey; Santa Fe, New Mexico
New Mexico State Land Office, Attn: Mr. Larry Roybal; Santa Fe, New Mexico
Dugan Production Corp., Attn: Mr. John Roe, Farmington; New Mexico
Oxy Y-1 Company; Houston, Texas



May 15, 2013

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cc: New Mexico Oil Conservation Division, Attn: Ms. Jami Bailey; Santa Fe, New Mexico
New Mexico State Land Office, Attn: Mr. Larry Roybal; Santa Fe, New Mexico
Dugan Production Corp., Attn: Mr. John Roe, Farmington; New Mexico
Oxy Y-1 Company; Houston, Texas

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Farmington, NM 87402

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

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Oil, Gas & Minerals Division
New Mexico State Land Office
PO Box 1148
Santa Fe, NM 87504

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OXY Y-1 Company
5 Greenway Plaza, Suite 110
Houston, TX 77046-0506

2. Article Number

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1. Article Addressed to:

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

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