

| | | | | | |
|----------------------|-----------------|----------------|------------------------|---------------------------|---------------------------------|
| DATE IN 6/13/2013 | SUSPENSE 7/3 | ENGINEER DB | LOGGED IN 6/14/2013 | TYPE NSL NSP DHC | APP NO. NSL: PAXK 1316533013 |
|----------------------|-----------------|----------------|------------------------|---------------------------|---------------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



NSP: PAXK 1316533574

PAXK 1316534779

DHC

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]

NSL-6830
NSP-1969
DHC-~~8810~~
4626

[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 _____

30-045-35440

Encina Oil & Gas

Escrito D34 2409 #1 H

2013 JUN 13 P 3:21

RECEIVED OCD

[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.

Adam G. Rankin

Print or Type Name

Signature

Title

Attorney

e-mail Address

agrankin@hollandhart.com

Date

6/13/13



June 13, 2013

VIA HAND DELIVERY

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

2013 JUN 13 P 3:27
RECEIVED OGD

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an 80-acre non-standard spacing unit in the Basin-Mancos Gas Pool (97232), approval of an non-standard location in the Basin-Mancos Gas Pool, and approval of downhole commingling of production from the Bisti Lower-Gallup Pool (5890) and the Basin-Mancos Gas Pool (97232), Section 33, Township 24 North, Range 9 West, N.M.P.M., San Juan County, New Mexico.

Dear Ms. Bailey:

Encana plans to drill its **Escrito D34-2409 01H** (API No. 30-045-35440) as a horizontal well in the N/2 N/2 of Section 33, T-24-N, R-9-W in San Juan County, New Mexico, from a surface location in Unit D of adjacent Section 34 to a bottom hole location in Unit D of Section 33. *See Exhibit A* (Amended C-102). The N/2 NE/4 of Section 33 is located in the Basin-Mancos Gas Pool (Pool Code 97232) and subject to Special Rules created under Order R-12984. The N/2 NW/4 of Section 33 is located in the Bisti Lower-Gallup Oil Pool (Pool Code 5890) and subject Special Rules as amended under Order R-1069-H.

The Special Rules applicable to the Bisti Lower-Gallup Oil Pool require 80-acre spacing units and 330 foot setbacks from the outer boundary of the spacing units. *See* Rules 2 and 3 of the Special Rules (as amended by R-1069-H). However, since the Bisti Lower-Gallup Oil Pool is an unlisted oil pool under Order R-12984, the portion of the proposed horizontal wellbore in the N/2 NE/4 is subject to the Special Rules for the Basin-Mancos Gas Pool. *See* Appendix 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. Since the completed interval for Encana's proposed well will be 330 feet from the East line and 585 feet from the North line, it does meet setback requirements applicable to the N/2 NE/4 of Section 33.

A vertical well producing from the Bisti Lower Gallup Oil Pool is located in the NE/4 NW/4 of Section 33 (Ohwada Well No. 2, API No. 30-045-29112). An 80-acre spacing and proration unit comprised of the N/2 NW/4 is dedicated to this existing well. Therefore, in order to form a 160-acre project area for a horizontal well comprised of the N/2 N/2 of Section 33, 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 N/2 NE/4 of Section 33;
- (2) a non-standard location for the portion of the proposed horizontal wellbore located in the N/2 NE/4 of the Basin Mancos Gas Pool; and
- (3) down-hole commingling of the production from these two adjacent pools in the horizontal wellbore.

Approval of this application will allow Encana to efficiently and effectively drain the reserves in the N/2 N/2 of Section 33.

In addition to the Amended C-1-2 form included as **Exhibit A**, Encana provides the following additional exhibits with this letter:

Exhibit B is land plat showing the leases and leaseholders in the affected areas.



Exhibit C is a completed form C-107-A (application for downhole commingling).

Exhibit D is a list of the parties in the E/2 of Section 33 affected by Encana's requests for a non-standard spacing unit in the Basin Mancos Gas Pool, as well a list of the parties in the SE/4 of Section 28, the SW/4 of Section 27 and the NW/4 of Section 34 affected by the request for a non-standard location in the Basin Mancos Gas Pool. With respect to the request for downhole commingling, the ownership in the project area is the same except for the overriding interests. Accordingly, Exhibit D contains a list of these affected parties and includes the BLM field office since two federal leases are included in the proposed spacing unit. *See* NMAC 19.15.12.11.C(1)(c).

A copy of this application with all attachments has been sent by certified mail to the affected parties set forth in Exhibit D 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.

Your attention to this application is appreciated.

Sincerely,

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

cc: David K. Brooks, Oil Conservation Division

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

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 30-045-35440 | | Pool Code 5890 / 97232 | Pool Name BISTI LOWER-GALLUP / BASIN MANCOS |
| Property Code | Property Name ESCRITO D34-2409 | | Well Number 01H |
| GRID No. 282327 | Operator Name ENCANA OIL & GAS (USA) INC. | | Elevation 6857' |

10 Surface Location

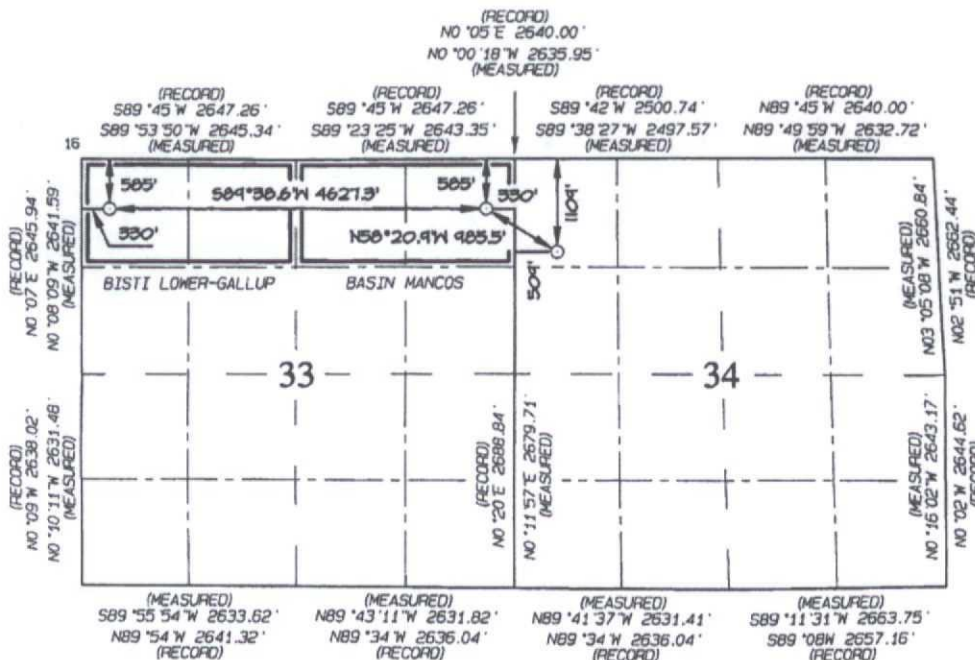
| UL or lot no. | Section | Township | Range | Lot | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|-----|---------------|------------------|---------------|----------------|----------|
| D | 34 | 24N | 9W | | 1109 | NORTH | 509 | WEST | SAN JUAN |

11 Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|-----|---------------|------------------|---------------|----------------|----------|
| D | 33 | 24N | 9W | | 585 | NORTH | 330 | WEST | SAN JUAN |

| | | | |
|--|-----------------|--------------------|-----------|
| Dedicated Acres 160.0 Acres N/2 N/2 - Section 33 | Joint or Infill | Consolidation Code | 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



END-OF-LATERAL
585' FNL 330' FNL
SECTION 33, T24N, R9W
LAT: 36.27613°N
LONG: 107.80156°W
DATUM: NAD1927

LAT: 36.27614°N
LONG: 107.80217°W
DATUM: NAD1983

POINT-OF-ENTRY
585' FNL 330' FEL
SECTION 33, T24N, R9W
LAT: 36.27620°N
LONG: 107.78586°W
DATUM: NAD1927

LAT: 36.27622°N
LONG: 107.78648°W
DATUM: NAD1983

SURFACE LOCATION
1109' FNL 509' FNL
SECTION 34, T24N, R9W
LAT: 36.27478°N
LONG: 107.78302°W
DATUM: NAD1927

LAT: 36.27479°N
LONG: 107.78363°W
DATUM: NAD1983

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 unless 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.

Holly Hill 3/25/13
Signature Date
Holly Hill

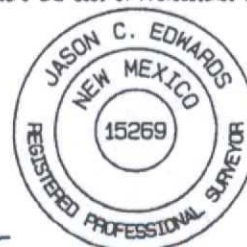
Printed Name
holly.hill@encana.com
E-mail Address

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.

Date Revised: MARCH 21, 2013
Date of Survey: JULY 23, 2012

Signature and Seal of Professional Surveyor



Jason C. Edwards
Certificate Number 15269

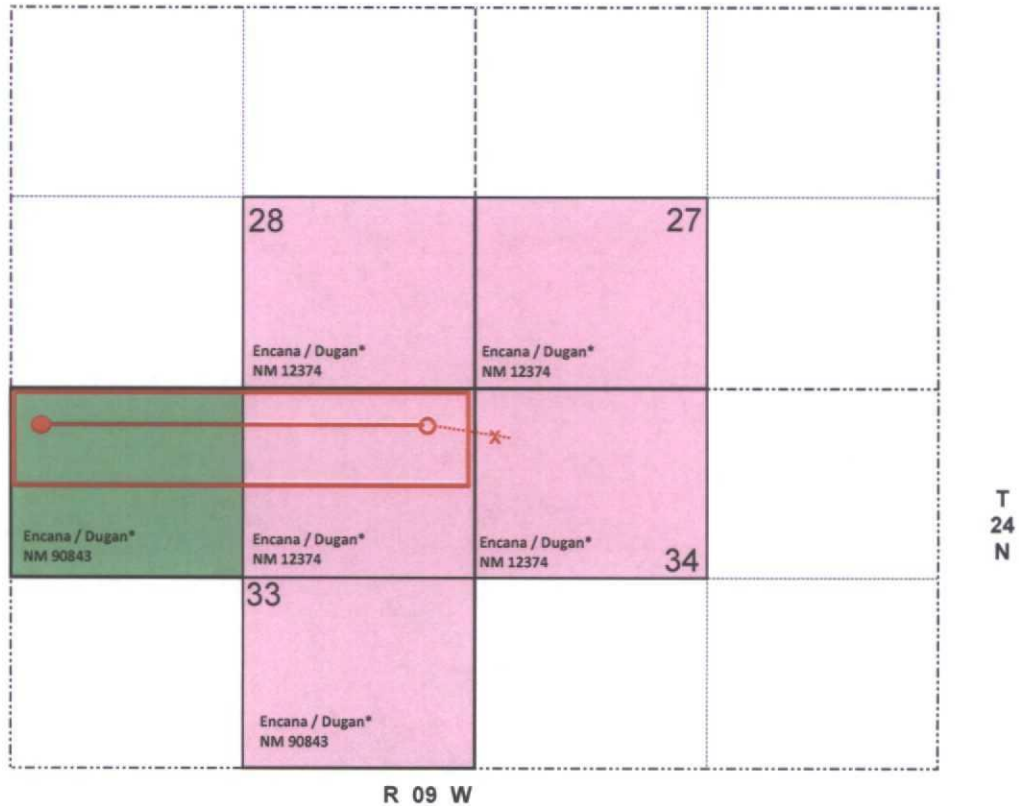
EXHIBIT


A


Exhibit B


Encana Oil & Gas (USA) Inc.
Application for Administrative Approval
Escrito D34 2409 01H
San Juan County, New Mexico

- (1) Non Standard Spacing Unit (Basin Mancos Gas Pool)
- (2) Non-Standard Location (Basin Mancos Gas Pool)
- (3) Downhole Commingling (Basin Mancos Gas Pool / Lower Bisti Gallup Oil Pool)



 Basin Mancos Gas Pool

 Bisti Lower Gallup Oil Pool

 Escrito D34 2409 01H

Project Area - T24N-R09W, Section 33 N2N2

| | |
|--------------------------|---|
| Surface Location | 1109' FNL, 509' FWL Section 34, 24N-09W |
| Gallup Penetration Point | 585' FNL, 330' FEL Section 33, 24N-09W |
| Bottomhole Location | 585' FNL, 330' FEL, Section 33, 24N-09W |

* Ownership reflected represents 100% leasehold working interest in the Basin Mancos or Bisti Lower Gallup underlying each tract which is the subject of this Application



District I
1623 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

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
NM 12374 & NM 90843 Escrito D34-2409 01H D-34-24N-9W San Juan
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 282327 Property Code API No. 30-045-35440 Lease Type: ☒ Federal ☐ State ☐ Fee

| DATA ELEMENT | Units A & B | Units C & D | |
|---|--|--|---|
| Pool Name | Basin-Mancos | Bisti-Lower Gallup | |
| Pool Code | 97232 | 5860 | |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | +/- 5163' TVD/ +/- 2313' Lateral Horizontal Length | +/- 5163' TVD/ +/- 2315' Lateral Horizontal Length | 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 +/- 5163' TVD +/- 4628' Lateral Horizontal Length |
| Method of Production (Flowing or Artificial Lift) | | | |
| Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone) | +/- 1549 psi | +/- 1549 psi | |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | 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: Limited test data available at this time. Estimates for well: Rates: - IP 30s - 500 MCFD - 300 BOPD - 200 BWPD | | |
| Fixed Allocation Percentage (Note: If allocation is based upon something 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 communitized 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 ☐
NMOCD Reference Case No. applicable to this well: _____

Attachments:

C-102 for each zone to be commingled 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 Katie Wegner TITLE Regulatory Analyst DATE 6/10/13
TYPE OR PRINT NAME Katie Wegner TELEPHONE NO. (720) 876-3533
E-MAIL ADDRESS Katie.wegner@encana.com

EXHIBIT

tabbles

C

Exhibit D

Request for Non-Standard Spacing Unit and Non-Standard Location in the Basin Mancos Gas Pool

Dugan Production Corporation
Attn.: Kurt Fragrelius
709 East Murray Drive
Farmington, New Mexico 87401

Farmington Field Office
Bureau of Land Management
6251 College Blvd., Suite A
Farmington, New Mexico 87402

Request for Downhole Commingling

Gene Grubitz III Trust
P. O. Box 1245
Salem, VA 24153-1245

R. F. Partnership Ltd.
P. O. Box 243
Wheatridge, CO 80034-0234

Estate of Billie Robinson
C/O. Gene Grubitz
P. O. Box 1245
Salem, VA 24153-1245

Dugan Production Corp.
709 East Murray Drive
Farmington, NM 87401-6649

P&P Producing Inc.
303 West Wall Street, Suite 101
Midland, TX 79701

Prudential-Bache Pension & Retirement
Production Partnership PBR-1
3510 N. Causeway Blvd., Suite 200
Metairie, LA 70002

Farmington Field Office
Bureau of Land Management
6251 College Blvd., Suite A
Farmington, New Mexico 87402