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2013 AUG -5 P 3:48

August 5, 2013

*Via Electronic Transmission Only*  
[florene.davidson@state.nm.us](mailto:florene.davidson@state.nm.us)

Case 15046

Jami Bailey, Director  
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 unorthodox well locations for its Lybrook E27-2306 01H Well and its Lybrook E27-2306 03H Well in the Counselors Gallup-Dakota Oil Pool in the N/2 of Section 28, Township 23 North, Range 6 West, N.M.P.M., Sandoval County, New Mexico**

Dear Ms. Bailey:

This firm has been retained earlier today by Parko Inc with respect to the above-referenced application and other damage issues regarding drilling and completion activities that Encana Oil and Gas is and has been conducting in the immediate area of the lands covered by the application.

Because Parko Inc. may have had notice in excess of twenty (20), the application may have already been approved. Nonetheless, to the extent that the application has not been approved, we hereby protest the approval of the application on behalf of Parko Inc. The reason for the protest is that the production capabilities of Parko's vertically drilled oil and gas wells have been damaged through the fracture completions of Encana. Although Encana has attempted mitigation efforts, some of Parko's wells are shut in with no production in the past two months, and it is incurring produced water disposal fees which have dramatically increased due to Encana's invasive fracture completions.

This problem has already come to the attention of the Farmington District Office of the Bureau of Land Management. Enclosed is a copy of a letter recognizing the problem encountered by Parko sent by Jim Lovato, BLM Petroleum Engineer, to various operators in the area and the OCD's Aztec district office.

Should you have any questions, please let us know.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ernest L. Padilla". The signature is fluid and cursive, with a long horizontal stroke at the end.

ERNEST L. PADILLA

ELP:jbg

xc: Parko Incorporated  
Michael H. Feldewert  
[mfeldewert@hollanthat.com](mailto:mfeldewert@hollanthat.com)



## United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington Field Office  
6251 College Blvd., Suite A  
Farmington, New Mexico 87402

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IN REPLY REFER TO:  
Mancos/Gallup Development

July 30, 2013

Dear Operator,

The Bureau of Land Management (BLM) recently met with representatives of Encana Oil and Gas, WPX Energy, XTO Energy and the NMOCD to discuss the occurrence of Nitrogen migration beyond spacing unit boundaries during fracture stimulation operations in horizontal wells completed along the Chaco Slope. The information shared indicated a need to further discuss and analyze the nitrogen migration issue on a more detailed technical basis and to develop monitoring and mitigation measures that would help Mancos/Gallup well development to continue without interruption. The presence of nitrogen in legacy Gallup wells off-setting recently stimulated Mancos and Gallup wells is not only a resource and correlative rights issue but is also a health, safety and welfare issue that warrants our attention.

You are being contacted in order to solicit your interest and participation in a working group to analyze and develop mitigation measures to help address the nitrogen migration issue. If you are interested in participating in this effort, we are asking that your company provide the names, titles and contact information of your nominated representatives. We will contact each representative with the date, time and agenda for the first meeting. We would like to start these technical discussions as soon as possible.

Please contact me at (505) 564-7735 if you have any questions or would like to discuss this request in more detail. You can email your nominees to me at [jlovato@blm.gov](mailto:jlovato@blm.gov).

Sincerely,

Jim Lovato  
Team leader,  
Petroleum Management Team

Cc: Operator/Agency Contact List

Encana Oil and Gas Inc.  
Attn.: Jeff Balmer  
370 17<sup>th</sup> Street  
Suite 1700  
Denver, CO. 80202

WPX Energy  
Attn.: Ken McQueen  
P.O.Box 3102  
MD 37  
Tulsa, OK 74101-3102

XTO Energy  
Attn.: Attn.: Matt Gusdorf  
San Juan Division  
382 Road 3100  
Aztec, NM 87410

Logos Resources LLC  
4001 N. Butler Blvd., Bldg. 7101  
Farmington, NM 87401

Elm Ridge Resources  
20 Road 5060  
Bloomfield, NM 87413

Parko Inc.,  
P.O. Box 1655  
Los Lunas, NM 87031

Dugan Production Company  
P.O. Box 420  
Farmington, NM 87499

NMOCD  
1000 Rio Brazos Rd.,  
Aztec, NM 87410