Form 3160-5
(March 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
SEP 18 2013
Farmington Field Office
Bureau of Land Management

FORM APPROVED
OMB No. 1004-0137
Expires: October 31, 2014

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE *– Other instructions on page 2.*

5. Lease Serial No.
NMNM 109385

6. If Indian, Allottee or Tribe Name

7. If Unit of CA/Agreement, Name and/or No.
N/A

1. Type of Well
☑ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.
Lybrook A01-2206 01H

2. Name of Operator
Encana Oil & Gas (USA) Inc.

9. API Well No.
30-043-21137

3a. Address
370 17th Street, Suite 1700 Denver, CO 80202

3b. Phone No. *(include area code)*
720-876-3533

10. Field and Pool or Exploratory Area
Wildcat (Gallup)

4. Location of Well *(Footage, Sec., T.,R.,M., or Survey Description)*
SHL: 1126' FNL and 546' FEL Sec 1, T22N, R6W
BHL: 660' FNL and 330' FWL Sec 1, T22N, R6W

11. County or Parish, State
Sandoval, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice BP	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Installation of Gas Lift
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

Encana Oil & Gas (USA) Inc. is requesting authorization to install gas lift at the Lybrook A01-2206 01H well pad. Attached is a schematic of the pad with gas lift and the gas allocation procedure.

RCVD OCT 25 '13
OIL CONS. DIV.
DIST. 3

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

SEE ATTACHED FOR CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct. Name *(Printed/Typed)*
Katie Wegner

Title Regulatory Analyst

Signature

Date 09/17/2013

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by
Troy Salyers

Title Petroleum Engineer

Date 10/21/2013

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

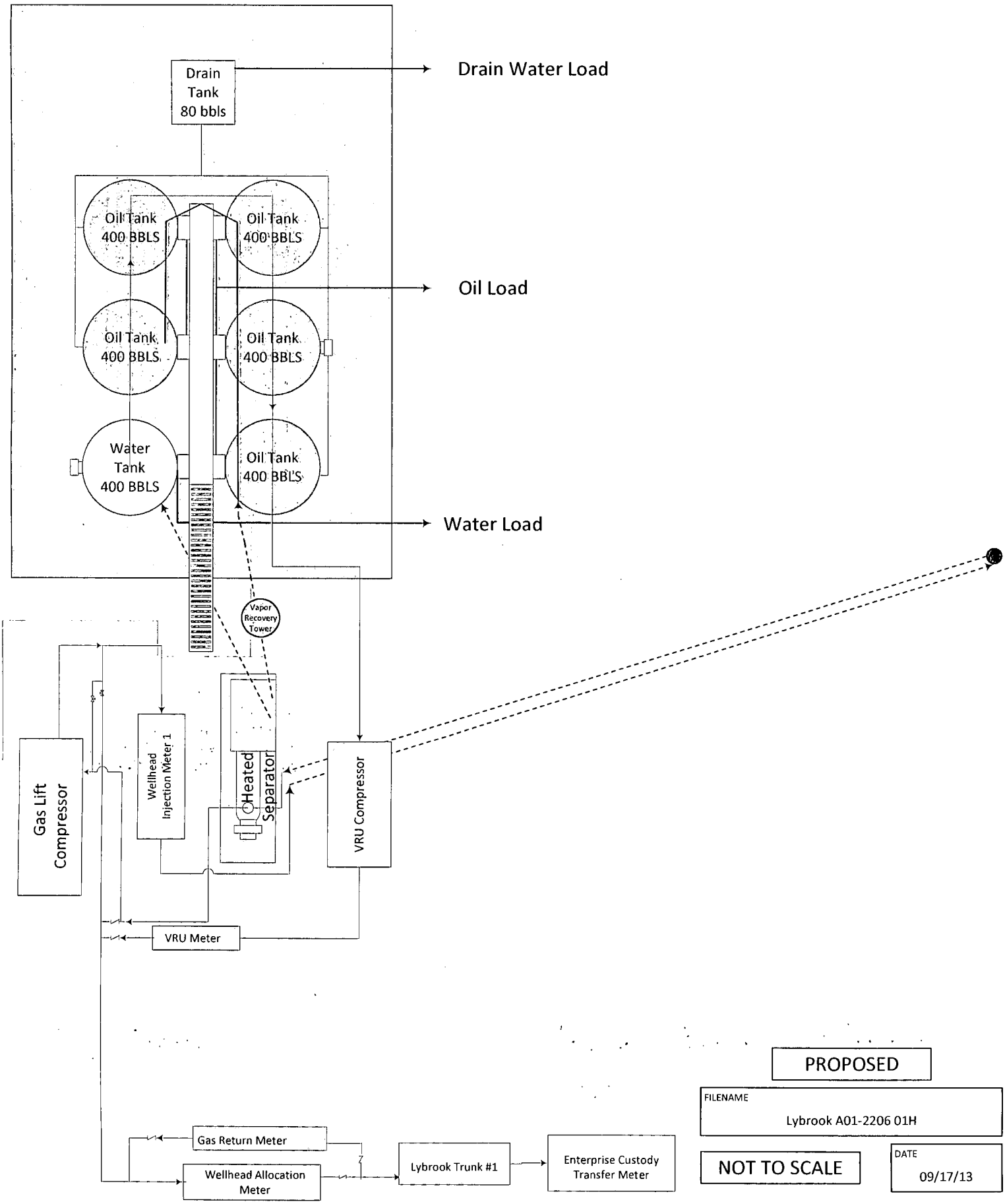
Office FFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

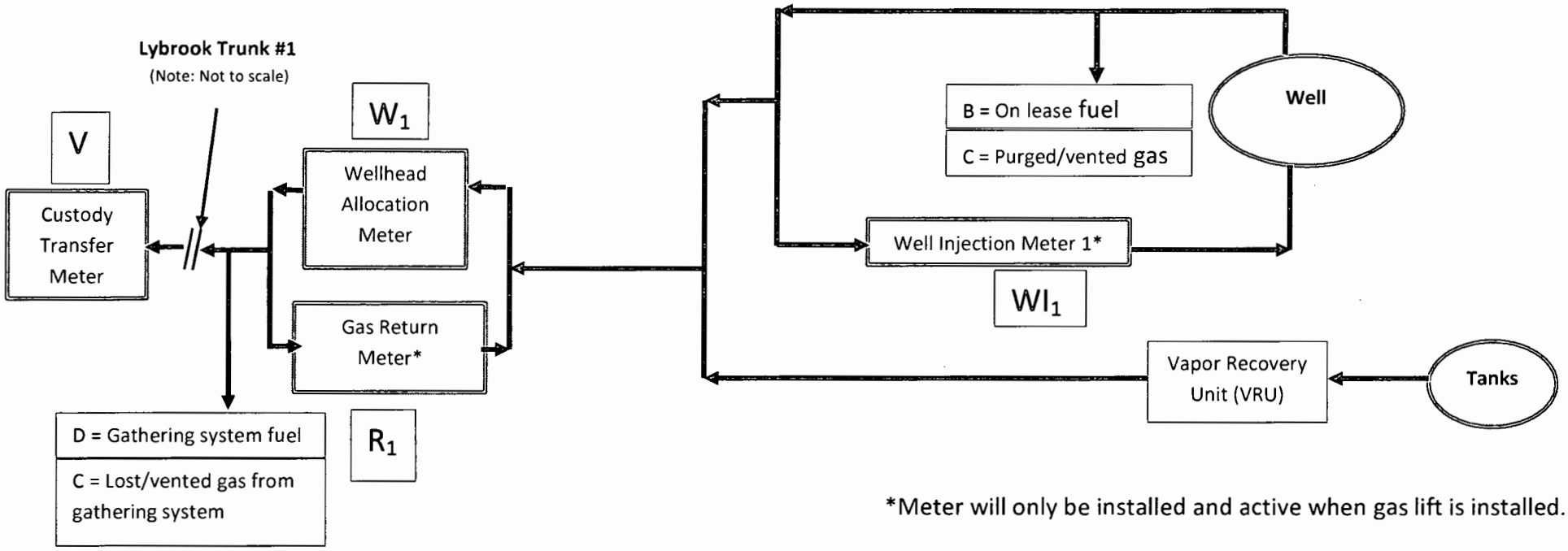
(Instructions on page 2)

NMOCD

Lybrook A01-2206 01H



Gas Measurement Allocation Procedure for Lybrook A01-2206 well pad



*Meter will only be installed and active when gas lift is installed.

Base Data:

V = Gas Volume (MCF) from Custody Transfer Meter during allocation period (Enterprise)
R = Gas Volume (MCF) from Gas Return Meter (Encana)*
W_1 = Gas Volume (MCF) from Wellhead Allocation Meter at individual wells during allocation period. (Encana)
WI_1 = Gas Volume (MCF) from Well Injection Meter at individual wells during allocation period. (Encana)*
Y = Heating Value (BTU/scf) from Custody Transfer Meter during allocation period. (Enterprise)
Z = Heating Value (BTU/scf) from individual Wellhead Allocation Meter and Well Injection Meter. (Encana)

Allocation Period is typically a calendar month and will be the same for all individual wells.

Individual Well Gas Production = A + B + C + D + E

A = Allocated Gas production off lease, MCF: $[(W_1-R_1)/((W_1-R_1)+(W_2-R_2)+(W_n-R_n))]*(V)$

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 $[(W_1-R_1)/((W_1-R_1)+(W_2-R_2)+(W_n-R_n))]$.

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 the time of the loss. The total volumes lost and/or vented will be allocated to the individual wells affected using factors determined $[(W_1-R_1)/((W_1-R_1)+(W_2-R_2)+(W_n-R_n))]$.

Individual Well BTU's = $[((W_n-R_n)*Z_n)/SUM((W_n-R_n)*Z_n)]*Y$
Individual well gas heating values to be determined in accordance with BLM regulations.

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Farmington Field Office
6251 College Blvd., Suite A
Farmington, New Mexico 87402

IN REPLY REFER TO:

CONDITIONS OF APPROVAL FOR GAS LIFT, BUY BACK METER AND CDP INSTALLATION:

- The buy-back meter isolation valve, either up or down stream of the buy-back meter must be effectively sealed in the closed position to prevent produced gas from potentially by-passing the measurement and sales meter. In lieu of the seal requirement at least two check valves can be installed immediately upstream and downstream of the buy-back meter to prevent produced gas from potentially by-passing the measurement and sales meter.

  Contact this office so a BLM witness may verify installation of either the seal or check valves.

- If seals are installed, seal records must be maintained and made available upon request.

- Post a Facility sign at the CDP listing the following information:
  - Operator Name
  - Facility Name (i.e. Lybrook A01-2206 01H CDP)
  - UL, S-T-R, County and State

  Clearly identify <u>both</u> the sales and by-back meters.

- Should future system needs require separation and/or compression equipment at the CDP, any liquid hydrocarbons recovered at the CDP must be allocated back to each well in proportion to the well's allocated gas production. Any fuel used at the CDP <u>and</u> at the well sites must also be allocated back to each contributing well in proportion to each well's allocated gas production. Fuel to run the Vapor Recovery Unit (VRU)

must also be allocated back to each contributing well in proportion to each well's oil contribution and the vapors recovered.

- Production and Sales allocation must be made on a Volumetric and MMBTU basis and be conducted in accordance with the allocation methodology proposed.

- Measurement of gas at the well sites and the CDP must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site security, Onshore Order No. 4, Oil Measurement, Onshore Order No. 5, Gas Measurement and NM NTL 2008-01, Electronic Flow Measurement.

- In Order to prevent waste and conserve natural gas, periodic review of each well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1. Vented gas must be allocated back to each well based on the well's proportionate vented volume. Any gas vapor recovery from the VRU must be allocated to each well in proportion to each well's oil production.

- No other wells can be added to this measurement system without the prior authorization of this office.

- Contact this office in the event of any lost hydrocarbons between the wells and the CDP.

- This office reserves the right to require audit records of all wells contributing to this CDP.

- Failure to operate this facility in accordance with the conditions outlined above and in accordance with your application will subject this approval to revocation. In addition, this office reserves the right to rescind this approval should future evaluation of this method of measurement indicate lost or reduced royalties.