



United States Department of Interior

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

IN REPLY REFER TO:

3162.7-3
Escrito I24-2409 CDP

RCVD AUG 21 '13
OIL CONS. DIV.
DIST. 3

August 16, 2013

Encana Oil and Gas (USA) Inc.
Ms. Katie Wegner
370 17th Street
Suite 1700
Denver, CO., 80202

Dear Ms. Wegner:

Reference is made to your application dated July 11, 2013 requesting approval for off-lease measurement and sales of gas from the following wells:

- ✚ Escrito D30-2408 01H well located at a surface hole location in unit letter (UL) D, Section 30, T., 24N., R.08W., on Federal Oil and Gas lease NMNM-54981; and a bottom hole location in (UL) P, Section 30, T., 24N., R. 08W., San Juan County, New Mexico on Federal Oil and Gas lease NMNM-54980. 30045 35467
- ✚ Escrito I24-2409 01H well located at a surface hole location in unit letter (UL) I, Section 24, T., 24N., R.09W., and a bottom hole location in (UL) L, Section 24, T., 24N., R. 09W., San Juan County, New Mexico on Federal Oil and Gas lease NMSF-078860. 30-045-35322

Gas will be measured and sold to Enterprise Products Partners (Enterprise) at the following off-lease, central delivery point (CDP) location:

Unit I, Section 32, T.24N, R.08W, Elm Ridge will operate and maintain the pipeline CDP.

Oil production from the subject wells will be stored and sold at the well sites located in:

- ✚ Escrito D30-2408 01H - Unit D, Section 30, T.24N, R. 08W, (under communization agreement TBD.),
- ✚ Escrito I24-2409 01H - Unit I, Section 24, T., 24N. R.09W. (under lease NMSF-078860). Please be advised that commingling of oil, condensate and gas from other leases is not authorized.

Although not addressed in this application, the CDP facility will also serve as a gas acquisition point for your proposed gas lift system for the above wells. The CDP will have a separate buy-back meter which will be used when supplemental gas is required for gas lift operations. This buy-back meter will also be maintained and operated by Enterprise. The buy-back meter and the allocation methodology for the gas lift system will be addressed under a separate application.

After considering the merits of your application, this application for off-lease measurement is hereby authorized under IM-2013-152, category 1, commingling with no royalty impacts. This commingling request has no potential to adversely impact Federal or Indian royalty income, production accountability or the distribution of royalty.

This measurement system will hereafter be referenced as the Escrito I24-2409 CDP.

The following are conditions of this approval:

- Post a Facility sign at the CDP listing the following information:
 - Operator Name
 - Facility Name (i.e. Escrito I24-2409 CDP)
 - UL, S-T-R, County and State
- There are currently no separation or compression facilities at the proposed CDP facility however, should future system needs require separation and/or compression equipment, 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 must also be allocated back to each contributing well in proportion to each well's allocated gas production.
- Allocation must be made on an MMBTU basis.
- 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.
- 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.

- **This approval is for commingling and off-lease measurement only; a separate application must be filed if off-lease Beneficial Fuel Use is necessary.**

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. If you have any questions regarding the above, please contact me at (505) 564-7743.

Sincerely,



Troy Salyers
Petroleum Engineer
Petroleum Management Team

cc: NMOCD, Aztec
Bcc:
Escrito I24-2409 CDP
Well File