

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



New Mexico Oil Conservation Division approval and conditions listed below are made in accordance with OCD Rule 19.15.7.11 and are in addition to the actions approved by BLM on the following 3160-4 or 3160-5 form.

Operator Signature Date: 7/29/2014

Well information:

API WELL #	Well Name	Well #	Operator Name	Type	Stat	County	Surf. Owner	UL	Sec	Twp	N/S	Rng	W/E
30-039-31231-00-00	ESCRITO D14 2407	001H	ENCANA OIL & GAS (USA) INC.	O	N	Rio Arriba	F	D	14	24	N	7	W

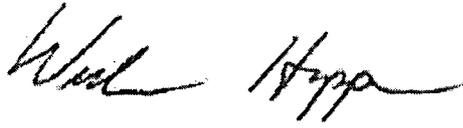
Application Type:

- P&A
 Drilling/Casing Change
 Recomplete/DHC
 Location Change
 Other: Pilot hole details

Conditions of Approval:

Notify NMOCD 24hrs prior to beginning operations
Hold C-104 for directional survey, as drilled plat, and NSL

Add a plug to cover Gallup at 5785 feet with 100 feet above and below top



NMOCD Approved by Signature

8/21/14
Date

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

JUL 30 2014

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.

5. Case Serial No.
NMNM 117567

6. If Indian, Allottee or Tribe Name

N/A

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

Oil Well Gas Well Other

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

N/A

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

8. Well Name and No.
Escrito D14-2407 01H

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

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

9. API Well No.
30-039-31231

4. Location of Well (Footage, Sec., T, R, M., or Survey Description)
SHL: 471' FNL and 564' FWL Section 14, T24N, R7W
BHL: 450' FNL and 330' FWL Section 15, T24N, R7W

10. Field and Pool or Exploratory Area
Escrito Gallup (Associated)

11. County or Parish, State
Rio Arriba County, NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input checked="" type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> 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 submitting an updated 10-Point Drilling Plan for the Escrito D14-2407 01H well. It was updated to include Encana's plan to drill a pilot hole, as shown on the Directional Drilling Plan and Wellbore Diagram that were submitted with the Application for Permit to Drill on April 10, 2014. No other changes have been made to this drilling plan.

OIL CONS. DIV DIST. 3

CONDITIONS OF APPROVAL

Adhere to previously issued stipulations

AUG 13 2014

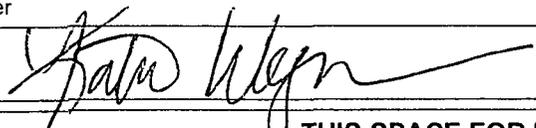
BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

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

Katie Wegner

Title Regulatory Analyst

Signature



Date 07/29/2014

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

William Tambekou

Title

Petroleum Engineer

Date

8/12/2014

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

FFD

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)

NMOCDA

Escrito D14-2407 01H
 SHL: NW NW 14 24N 7W
 471 FNL 564 FWL
 BHL: NW NW 15 24N 7W
 450 FNL 330 FWL
 Rio Arriba, New Mexico

**Encana Oil & Gas (USA) Inc.
 Drilling Plan**

1. ESTIMATED TOPS OF GEOLOGICAL MARKERS (TVD)

The estimated tops of important geologic markers are as follows:

Formation	Depth (TVD) units = feet
Nacimiento	355
Ojo Alamo Ss.	1,795
Kirtland Shale	1,985
Fruitland Coal	2,215
Pictured Cliffs Ss.	2,445
Lewis Shale	2,545
Cliffhouse Ss.	3,305
Menefee Fn.	4,057
Point Lookout Ss.	4,740
Mancos Shale	4,915
Mancos Silt	5,590
Gallup Fn.	5,785

The referenced surface elevation is 7029', KB 7045'

2. ESTIMATED DEPTH OF POTENTIAL WATER, OIL, GAS, & OTHER MINERAL BEARING FORMATIONS

Substance	Formation	Depth (TVD) units = feet
Water/Gas	Fruitland Coal	2,215
Oil/Gas	Pictured Cliffs Ss.	2,445
Oil/Gas	Cliffhouse Ss.	3,305
Gas	Menefee Fn.	4,057
Oil/Gas	Point Lookout Ss.	4,740
Oil/Gas	Mancos Shale	4,915
Oil/Gas	Mancos Silt	5,590
Oil/Gas	Gallup Fn.	5,785

All shows of fresh water and minerals will be reported and protected.

3. PRESSURE CONTROL

- a) Pressure control equipment and configuration will be designed to meet 2M standards.
- b) Working pressure on rams and BOPE will be 3,000 psi.
- c) Function test and visual inspection of the BOP will be conducted daily and noted in the IADC Daily Drilling Report.
- d) The Annular BOP will be pressure tested to a minimum of 50 percent of its rated working pressure.
- e) Blind and Pipe Rams/BOP will be tested against a test plug to 100 percent of rated working pressure.
- f) Pressure tests are required before drilling out from under all casing strings set and cemented in place.

Escrito D14-2407 01H
SHL: NW NW 14 24N 7W
471 FNL 564 FWL
BHL: NW NW 15 24N 7W
450 FNL 330 FWL
Rio Arriba, New Mexico

- g) BOP controls must be installed prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned.
- h) BOP testing procedures and testing frequency will conform to Onshore Order No. 2.
- i) BOP remote controls shall be located on the rig floor at a location readily accessible to the driller. Master controls shall be on the ground at the accumulator and shall have the capability to function all preventers.
- j) The kill line shall be 2-inch minimum and contain two kill line valves, one of which shall be a check valve.
- k) The choke line shall be a 2-inch minimum and contain two choke line valves (2-inch minimum).
- l) The choke and manifold shall contain two adjustable chokes.
- m) Hand wheels shall be installed on all ram preventers.
- n) Safety valves and wrenches (with subs for drill string connections) shall be available on the rig floor at all
- o) Inside BOP or float sub shall also be available on the rig floor at all times.

Proposed BOP and choke manifold arrangements are attached.

4. CASING & CEMENTING PROGRAM

The proposed casing and cementing program has been designed to protect and/or isolate all usable water zones, potentially productive zones, lost circulation zones, abnormally pressured zones, and any prospectively valuable deposits of minerals. Any isolating medium other than cement shall receive approval prior to use. The casing setting depth shall be calculated to position the casing seat opposite a competent formation which will contain the maximum pressure to which it will be exposed during normal drilling operations. All indications of useable water shall be reported.

a) The proposed casing design is as follows:

Casing	Depth (MD)	Hole Size	Csg Size	Weight	Grade
Conductor	0'-60'	30"	20"	94#	H40, STC New
Surface	0'-500'	12 1/4"	9 5/8"	36#	J55, STC New
Intermediate	0'-6423'	8 3/4"	7"	26#	J55, LTC New
Production Liner	6223'-11102'	6 1/8"	4 1/2"	11.6#	B80*, LTC New

Casing String				Casing Strength Properties			Minimum Design Factors		
Size	Weight (ppf)	Grade	Connection	Collapse (psi)	Burst (psi)	Tensile (1000lbs)	Collapse	Burst	Tension
9 5/8"	36	J55	STC	2020	3520	394	1.125	1.1	1.5
7"	26	J55	LTC	4320	4980	367	1.125	1.1	1.5
4.5"	11.6	B80	LTC	6350	7780	201	1.125	1.1	1.5

*B80 pipe specifications are attached

Casing design is subject to revision based on geologic conditions encountered

All casing strings below the conductor shall be pressure tested to 0.22 psi per foot of casing string length or 1,500 psi, whichever is greater, but not to exceed 70 percent of the minimum internal yield. If pressure declines more than 10 percent in 30 minutes, corrective action shall be taken.

Escrito D14-2407 01H
 SHL: NW NW 14 24N 7W
 471 FNL 564 FWL
 BHL: NW NW 15 24N 7W
 450 FNL 330 FWL
 Rio Arriba, New Mexico

b) The proposed cementing program is as follows

Casing	Depth (MD)	Cement Volume (sks)	Cement Type & Yield	Designed TOC	Centralizers
Conductor	0'-60'	100 sks	Type I Neat 16 ppg	Surface	None
Surface	0'-500'	201 sks	Type III Cement + 1% CaCl + 0.25lb/sk Cello Flake + 0.2% FL, 16ppg, 1.38cuf/sk	Surface	1 per joint on bottom 3 joints
Intermediate	0'-6423'	30% open hole excess Stage 1 Lead: 468 sks Stage 1 Tail: 275 sks Stage 2 Lead: 232 sks	Lead (Stages 1 and 2): PremLite + 3% CaCl + 0.25lb/sk CelloFlake + 5lb/sk LCM, 12.1ppg 2.13cuf/sk Tail (Stage 1): Type III Cmt + 1% CaCl + 0.25lb/sk Cello Flake 14.5ppg 1.38cuf/sk	Surface	1 every 3 joints through water bearing zones
Production Liner	6223'-11102'	None - External Casing Packers	N/A	N/A	N/A

*Production liner clarification: Utilizing external swell casing packer system for zonal isolation will not use cement in the production liner

Actual volumes will be calculated and determined by conditions onsite. All cement slurries will meet or exceed minimum BLM and New Mexico Oil Conservation Division requirements. Slurries used will be the slurries listed above or equivalent slurries depending on service provider selected. Cement yields may change depending on slurries selected

All waiting on cement times shall be a minimum of 8 hours or adequate to achieve minimum of 500 psi compressive strength at the casing shoe prior to drilling out.

5. WELL PLAN & DIRECTIONAL DRILLING PROGRAM

The proposed well will be drilled in two phases. A pilot hole will be drilled in the first phase, followed by kicking off a horizontal lateral in the existing wellbore in the second phase. The intent of drilling a pilot hole is to obtain open hole log data. The intent of the second phase of the well is to plug back the pilot hole with cement to the kick off point. After plugging back, the plan is to drill a horizontal lateral from the kick off point in the existing wellbore to the proposed bottom hole location.

Description	Proposed Depth (TVD/MD)	Formation
Vertical Pilot Hole	6400'/6400'	Gallup
Horizontal Lateral TD	5846'/11102'	Gallup

Proposed Plug Back Procedure: KOP 5299'

- a. Spot 500' kick plug from 4999' - 5499'
 - 209 sks of Clas A cement with salt (1.3 cuf/sk yield)
 - Spot tuned spacer

Escrito D14-2407 01H
SHL: NW NW 14 24N 7W
471 FNL 564 FWL
BHL: NW NW 15 24N 7W
450 FNL 330 FWL
Rio Arriba, New Mexico

- b. Pull uphole, reverse out, pump 2xBU
- c. Tag plug, drill ahead to KOP once cement is solid

6. DRILLING FLUIDS PROGRAM

Holie Size (in)	Depth (TVD/MD)	Mud Type	Density (ppg)	Viscosity (sec/qt)	Fluid Loss (cc)
30"	0-60'/60'	Fresh Water	8.3-9.2	38-100	4-28
12 1/4"	0'-500'/500'	Fresh Water	8.4-8.6	60-70	NC
8 3/4"	500'/500'-6400'/6400'	Fresh Water LSND	9.5-8.8	40-50	8-10

- b) Surface through Intermediate Casing Point:

Holie Size (in)	Depth (TVD/MD)	Mud Type	Density (ppg)	Viscosity (sec/qt)	Fluid Loss (cc)
8 3/4"	5299'/5299'- 5871'/6423'	Fresh Water LSND	9.5-8.8	40-50	8-10

- c) Intermediate Casing Point to TD:

Holie Size (in)	Depth (TVD/MD)	Mud Type	Density (ppg)	Viscosity (sec/qt)	Fluid Loss (cc)
6 1/8"	5871'/6423'- 5846'/11102'	Synthetic Oil Based Mud	8.6-9.0	15-25	<15

- d) There will be sufficient mud on location to control a blowout should one occur. Mud flow and volume will be monitored both visually and with electronic pit volume totalizers. Mud tests shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.
- e) A closed-loop system will be used to recover drilling fluid and dry cuttings in both phases of the well and on all hole intervals, including fresh water and oil-based operations. Above-ground tanks will be utilized to hold cuttings and fluids for rig operations. A frac tank will be on location to store fresh water. Waste will be disposed of properly at an EPA-approved hazardous waste facility. Fresh water cuttings will be disposed of at Basin Disposal, Inc. and/or Industrial Ecosystems, Inc. The location will be lined in accordance with the Surface Use Plan of Operations.

7. TESTING, CORING, & LOGGING

- a) Drill Stem Testing - None anticipated.
- b) Coring - None anticipated.
- c) Mudd Logging - Mud loggers will be on location from kick off point to TD.
- d) Logging - See below

Open Hole:
 Triple combo with spectral Gamma TD to surface casing

Cased Hole:
 CBL/CCL/GR/VDL will be run as needed for perforating control

Escrito D14-2407 01H
SHL: NW NW 14 24N 7W
471 FNL 564 FWL
BHL: NW NW 15 24N 7W
450 FNL 330 FWL
Rio Arriba, New Mexico

8. ABNORMAL PRESSURES & HYDROGEN SULFIDE

The anticipated bottom hole pressure is +/- 2750 psi based on a 9.0 ppg at 5875' TVD of the horizontal lateral target. No abnormal pressure or temperatures are anticipated.

No hydrogen sulfide gas is anticipated, however, if H₂S is encountered, the guidelines in Onshore Order No. 6 will be followed.

9. ANTICIPATED START DATE AND DURATION OF OPERATIONS

Drilling is estimated to commence on April 19, 2015. It is anticipated that completion operations will begin within 30 days after the well has been drilled depending on fracture treatment schedules with various pumping service companies.

It is anticipated that the drilling of this well will take approximately 20 days.