

DATE IN 08/06/13	SUSPENSE	ENGINEER DB	LOGGED IN 08/08/13	TYPE NSL	APP NO PPAG 1322054731
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



6957

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]

- [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 _____

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- [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

30-039-31148
 Escrito E26-2407 #1H
 Encara

[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.

Michael H. Feldewert

Print or Type Name

Signature

[Handwritten Signature]

Title

Attorney

Date

8/6/13

e-mail Address

mfeldewert@hollandhart.com

HOLLAND & HART LLP



Michael H. Feldewert
Recognized Specialist in the Area of
Natural Resources - oil and gas law - New
Mexico Board of Legal Specialization
mfeldewert@hollandhart.com

August 6, 2013

VIA HAND DELIVERY

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

2013 AUG -6 PM 4:31
RECEIVED

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an unorthodox well location in the Escrito-Gallup Associated Pool for its Escrito E26 2407 01H well in the N/2 of Section 27, Township 24 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico.

Dear Ms. Bailey:

Encana Oil & Gas (USA) Inc. (OGRID No. 282327) seeks administrative approval of an unorthodox well location for its Escrito E26 2407 01H well (API 30-039-31148) located in the N/2 of Section 27, Township 24 North, Range 7 West. This area is subject to the General Rules And Regulations For The Associated Oil And Gas Pools Of Northwest New Mexico And Southeast New Mexico ("General Associated Pool Rules") as well as Special Rules And Regulations For The Escrito-Gallup Associated Pool ("Special Rules") adopted by the Commission under Order R-5353. Since Rule 2 of the Special Rules provides for 80-acre oil spacing units, Rule 2(b) of the General Associated Pool Rules requires any oil well to be located no closer than 790 feet to any quarter section line. Encana seeks an exception to this setback requirement for its existing Escrito E26-2407 horizontal well.

Enclosed as **Exhibit A** is an Amended C-102 reflecting the final location of the Escrito E26-2407 01H horizontal well. It reflects that the completed interval encroaches on the quarter section lines to the East, West, South, Southeast and Southwest of the Project Area located in the N/2 of Section 27, but remains at least 330 feet from these quarter section lines. Encana believes that this location is necessary to efficiently develop the Gallup oil reserves underlying this Section.

Rule 2(c) of the General Associated Pool Rules allows the "Secretary-Director of the Commission" to grant an exception to the well location requirements so long as no "offset operators" object to the application.

Holland & Hart LLP

Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C.



Enclosed as **Exhibit B** is a land plat showing the operators of existing Gallup wells, leases, and all working interests in these leases for the spacing units to the East, West, South, Southeast and Southwest of the Project Area located in the N/2 of Section 27.

Exhibit C is a complete list of these parties. A copy of this application with all attachments has been sent by certified mail to each of these parties advising them that if they have an objection it must be filed in writing with the division within 20 days from the date the division receives this application.

Your attention to this application is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael H. Feldewert".

Michael H. Feldewert

ATTORNEYS FOR ENCANA OIL & GAS (USA).

cc: David K. Brooks, Oil Conservation Division

DISTRICT I
1800 E. Francis Dr., Hobbs, N.M. 88240
Phone: (575) 598-8121 Fax: (575) 598-8780

DISTRICT II
811 E. First St., Artesia, N.M. 88210
Phone: (575) 748-1888 Fax: (575) 748-8780

DISTRICT III
1000 Rio Grande Rd., Aztec, N.M. 87410
Phone: (505) 884-8178 Fax: (505) 884-8170

DISTRICT IV
1800 E. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-8480 Fax: (505) 476-8480

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 Dr.
Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-039-31148	² Pool Code 22619	³ Pool Name ESCRITO-GALLUP (Associated)
⁴ Property Code	⁵ Property Name ESCRITO E26-2407	⁶ Well Number 01H
⁷ OGRID No. 282327	⁸ Operator Name ENCANA OIL & GAS (USA) INC.	⁹ Elevation 6766.9'

¹⁰ Surface Location

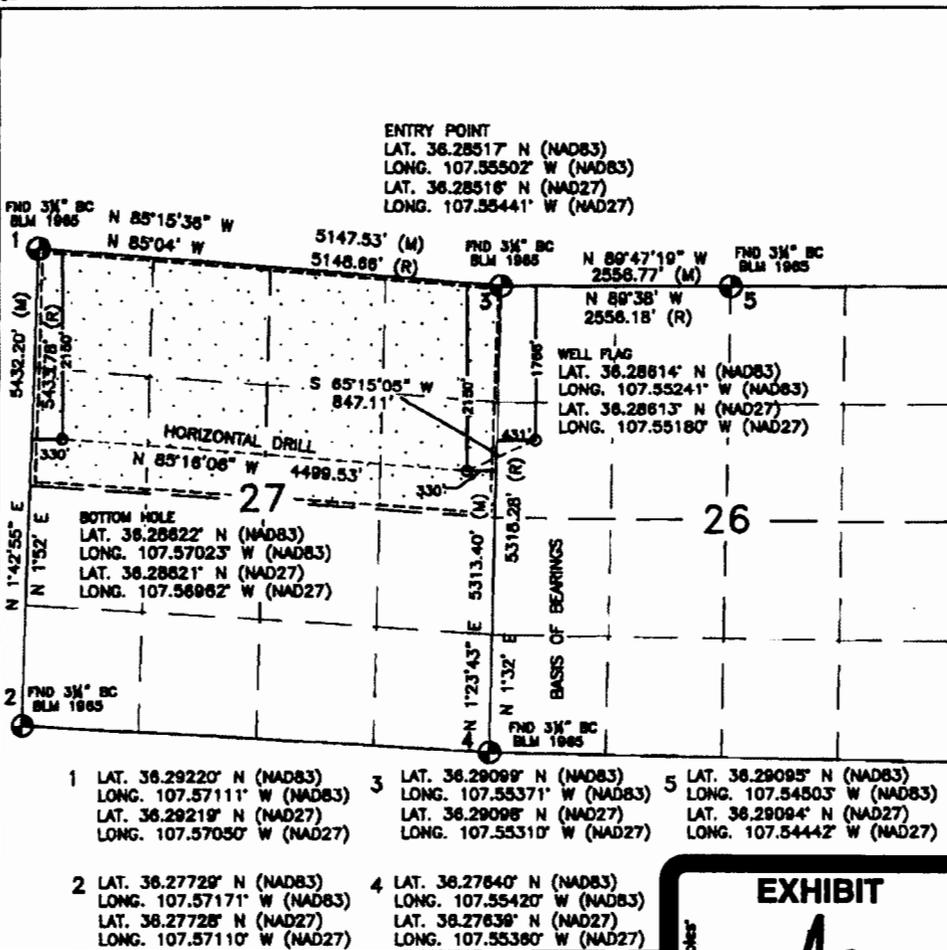
UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
E	26	24N	7W		1766'	NORTH	431'	WEST	RIO ARRIBA

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
E	27	24N	7W		2150'	NORTH	330'	WEST	RIO ARRIBA

¹² Dedicated Acres PROJECT AREA 320.00 ACRES N/2 SEC. 27	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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



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 unleased 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 3/28/13
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.

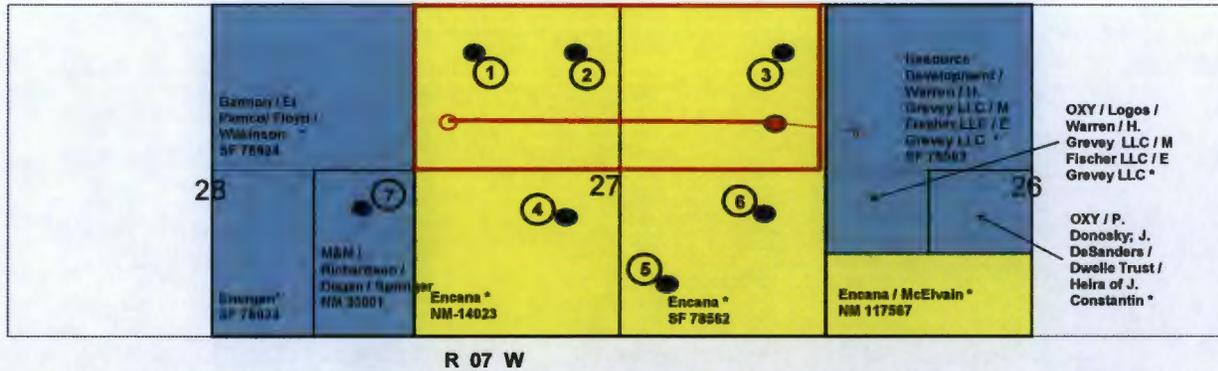
OCTOBER 31, 2012

Date of Survey
Signature and Seal of Professional Surveyor:



Exhibit B

Encana Oil & Gas (USA) Inc.
 Application for Exception to Rule 4.(a)
 Non-Standard Location
 Escrito Gallup Oil Pool
 Rio Arriba County, New Mexico



Encana Leases

Non-Encana Leases

Escrito E26 2407 01H

Project Area - T24N-R07W, Section 27 N2

Surface Location 1766' FNL, 431' FWL, Section 26 24N-07W
 Gallup Penetration Point 2150' FNL, 330' FEL, Section 27, 24N-07W
 Bottomhole Location 2150' FNL, 330' FWL, Section 27, 24N-07W

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

Existing Gallup Wells

<p>(1) Ernest #1 W2NW S27-24-07 Encana (Formerly QEP) Escrito Gallup</p> <p>(2) Ernest #2 E2NW S27-24-07 Encana (Formerly QEP) Escrito Gallup</p> <p>(3) Lybrook #7 E2NE S27-24-07 Encana (formerly (QEP) Escrito Gallup</p> <p>(4) F-27-24-7 #1 E2SW S27-24-07 Encana (formerly (QEP)</p>	<p>(5) Federal 1-27 #1 40-acre spacing unit SWSE S27-24-07 QEP Escrito Gallup</p> <p>(6) Lybrook 7-27 #2 NESE S27-24-07 QEP Escrito Gallup</p> <p>(7) Magnum #1 NESE S28-24-07 M&M Production & Operation Escrito Gallup</p>
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Exhibit C

**Notification List for Application for approval of an unorthodox well location in the
Escrito-Gallup Associated Pool: N/2 of Section 27, T-24-N, R-7-West**

M & M Production & Operation Inc.
5006 Sandalwood Drive
Farmington, NM 87402

Michael Richardson
5200 Vail Drive
Denver, CO 80222

Dugan Production Corp.
709 East Murray Drive
Farmington, NM 87499

Jeannie Springer
c/o Donna Salmon
8929 White Wing
Rio Verde, AZ 85263

Bannon Energy, Inc.
3934 FM 1960 West, Suite 401
Houston, TX 77068

El Pamco, Inc.
800 Loma Linda Place, SE
Albuquerque, NM

Floyd Revocable Living Trust and
Successors in Trust
4408 Royene NE
Albuquerque, NM 87110

Wilkinson Revocable Living Trust -
Credit Shelter Trust
512 Liguana SW
Albuquerque, NM 87104

Energen Resources Corporation
2010 Afton Place
Farmington, NM 87401

Resources Development Technology, LLC
P. O. Box 1020
Morrison, CO 80465

Oxy USA, Inc.
P. O. Box 50250
Midland, TX 79710

Logos Resources, LLC
5001 N. Butler building 7101
Farmington, NM 87401

Warren, Inc.
324 Sandia Savings Building
Albuquerque, NM 87102

Helen H. Grevey LLC
2015 Wyoming BLVD NE
Albuquerque, NM 87112

Marianne Fischer, LLC
2015 Wyoming BLVD NE
Albuquerque, NM 87112

Eileen Grevey, LLC
2015 Wyoming BLVD NE
Albuquerque, NM 87112

Patricia Sue Donosky
4412 Lakeside Drive
Dallas, TX 75205

Judy DeSanders
4203 Abbott
Dallas, TX 75225

R.E. & P.D. Dwelle Living Trust dated 11/2/2006
Richard E. Dwelle & Peggy D. Dwelle Trustees
123 Penny Lane
Athens, TX 75751

Heirs of Estate of Jules Constantin, Deceased
c/o Constantin Foundation
4809 Cole Avenue, Lock Box #127
Dallas, TX 75205-3578

T. H. McElvain Oil & Gas LLP
1050 17th Street, Suite 2500
Denver, CO 80202

HOLLAND & HART^{LLP}



Michael H. Feldewert
Recognized Specialist in the Area of Natural
Resources - oil and gas law - New Mexico
Board of Legal Specialization
mfeldewert@hollandhart.com

August 6, 2013

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED PARTIES

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an unorthodox well location in the Escrito-Gallup Associated Pool for its Escrito E26 2407 01H well in the N/2 of Section 27, Township 24 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from this date with the applicant and the New Mexico Oil Conservation Division, 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Mona L. Binion
Encana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, Colorado 80202
(720) 876-5325
mona.binion@encana.com

Sincerely,

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