

06/12/2014 DATE IN	SUSPENSE	McMillin ENGINEER	06/18/2014 LOGGED IN	NSL TYPE	PEH1416431655 APP NO
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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



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 _____

[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

*NS 26769-A 282327
 ENCANA OIL AND GAS USA INC
 30-043-21133
 pool 97232
 BASIN MANCOS*

[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

Michael H. Feldewert
 Signature

ATTORNEY

Title

6/12/14
 Date

mfeldewert@hollandhart.com

e-mail Address

HOLLAND & HART^{LLP}



Adam G. Rankin
Phone (505) 954-7294
Fax (505) 983-6043
AGRankin@hollandhart.com

June 12, 2014

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

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of an unorthodox well location in the Basin Mancos Gas Pool (97232) for its Lybrook H26-2307 02H well in the N/2 of Section 26, Township 23 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico.

Dear Ms. Bailey:

Encana Oil & Gas (USA) Inc. (OGRID No. 282327) seeks administrative approval of an unorthodox well location for its **Lybrook H26-2307 02H Well** to be completed within the Basin Mancos Gas Pool (Pool Code 97232) underlying Section 26, Township 23 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico. This horizontal well will be drilled at a surface location 2227 feet from the North line and 357 feet from the East line (Unit H) of Section 26, Township 23 North, Range 7 West. The upper most perforation will be 1550 feet from the North line and 940 feet from the East line (Unit H) of Section 26. The bottom hole location will be 1550 feet from the North line and 330 feet from the West line (Unit E) of Section 26, Township 23 North, Range 7 West. This area is subject to the Special Rules and Regulations for the Basin Mancos Pool ("Basin Mancos Rules") adopted by the Commission under R-12984. Since Rule 2(C)1 of the Basin Mancos Rules requires any well to be located no closer than 660 feet to the outer boundary of the spacing unit, the bottom hole location for the Lybrook H26-2307 02H will be at an unorthodox location with respect to the spacing and proration units to the West and Southwest.

Section 26 is an irregular section because it is short east and west. Therefore, the middle of the section is 2608 feet versus the standard 2640 feet. Approval of the requested unorthodox well location, therefore, is necessary to allow for the most efficient well spacing within this section to develop the reserves.

Enclosed as **Exhibit A** is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the location of the proposed **Lybrook H26-2307 02H Well** encroaches on the spacing and proration units to the West and Southwest.

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 depicting the proposed **Lybrook H26-2307 02H Well** in relation to adjoining units and further identifies the owners in the affected leases.

Encana has 100% working interest in the Federal lease to the West and Southwest, therefore there are no parties affected by the encroachment. However, a copy of this application with all attachments has been sent by certified mail to the Bureau of Land Management, as manager of the federal mineral estate.

Your attention to this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam G. Rankin".

Adam G. Rankin

ATTORNEY FOR ENCANA OIL & GAS (USA).

cc: Jim Lovato
Bureau of Land Management
6251 College Blvd. Suite A
Farmington, NM 87402

District I
1625 N. French Drive, Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First Street, Artesia, NM 88210
Phone: (575) 748-1203 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Drive, Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

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 Drive
Santa Fe, NM 87505

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-043-21133		*Pool Code 97232	*Pool Name BASIN MANCOS
*Property Code 39120	*Property Name LYBROOK H26-2307		*Well Number 02H
*OGRTD No 282327	*Operator Name ENCANA OIL & GAS (USA) INC.		*Elevation 7233'

¹⁰ Surface Location

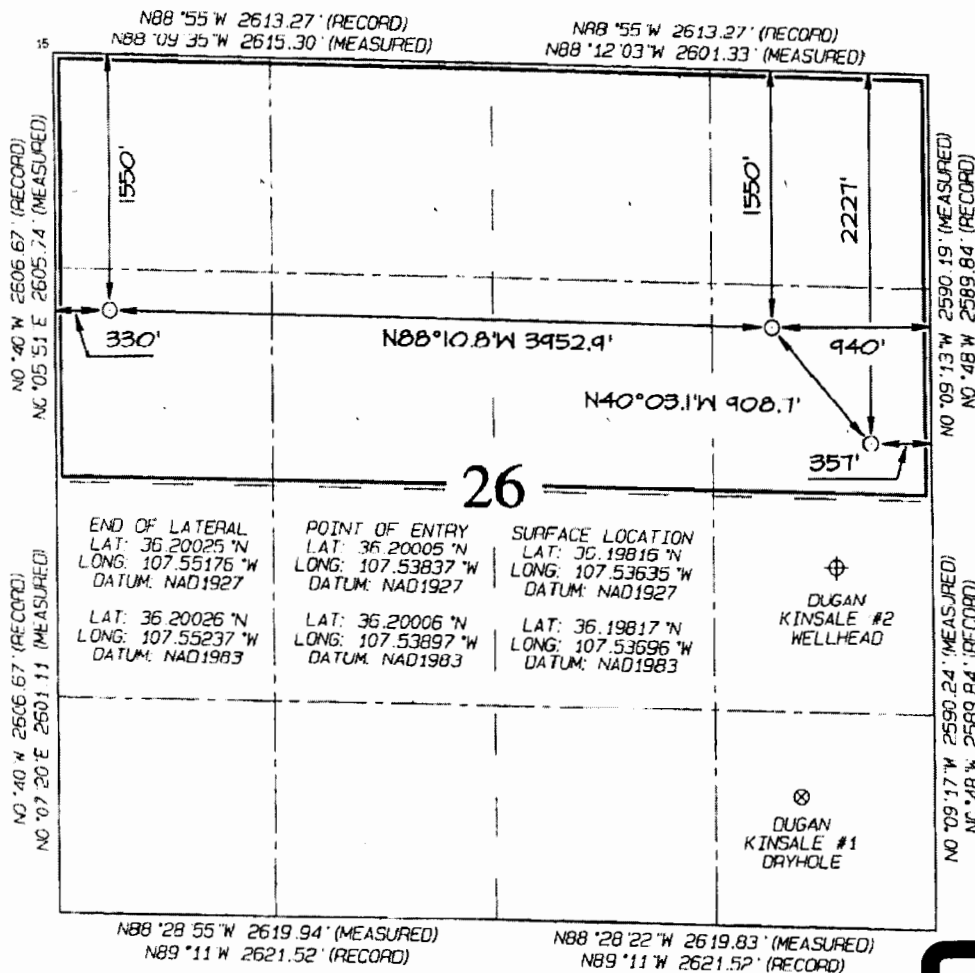
U. or lot no.	Section	Township	Range	Lot 10n	Feet from the	North/South line	Feet from the	East/West line	County
H	26	23N	7W		2227	NORTH	357	EAST	SANDOVAL

¹¹ Bottom Hole Location If Different From Surface

U. or lot no.	Section	Township	Range	Lot 10n	Feet from the	North/South line	Feet from the	East/West line	County
E	26	23N	7W		1550	NORTH	330	WEST	SANDOVAL

¹² Dedicated Acre 320.0 Acres - (N/2)					¹³ Joint or Infill	¹⁴ Consolidation Date	¹⁵ Order No NSL-6769
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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.

Signature: Holly Hill Date: 12/14

Printed Name: Holly Hill

E-mail Address: holly.hill@encana.com

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.

Date Revised: JANUARY 30, 2014
Survey Date: OCTOBER 3, 2012

Signature and Seal of Professional Surveyor

JASON C. EDWARDS
NEW MEXICO
REGISTERED PROFESSIONAL SURVEYOR
15269

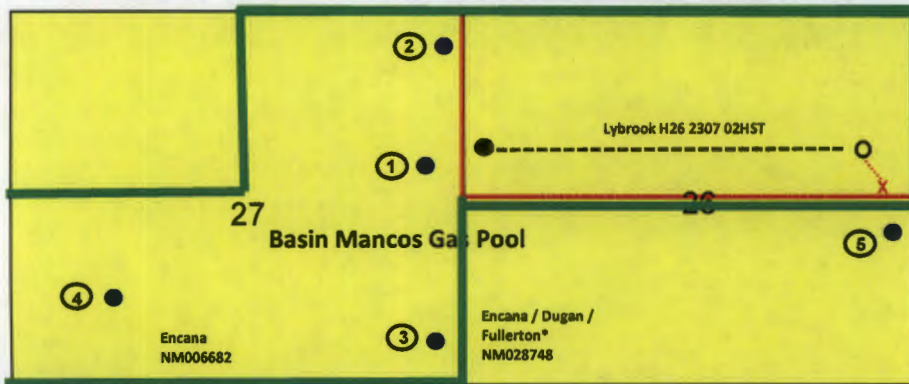
JASON C. EDWARDS
Certificate Number 15269

EXHIBIT

A

Exhibit B

Encana Oil & Gas (USA) Inc.
Application for Exception to Rule
Non-Standard Location
Basin Mancos Gas Oil Pool
San Juan County, New Mexico



R 07 W

- Encana Leases
- Basin Mancos Gas Pool
- Notice Area

Project Area - T23N-R07W, Section 26 N2

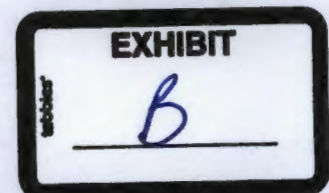
Lybrook H26 2307 02HST

Surface Location	2227' FNL, 357' FEL Section 26, 23N-07W
Gallup Penetration Point	1550' FNL, 940' FEL Section 26, 23N-07W
Bottomhole Location	1550' FNL, 330' FWL Section 26, 23N-07W

Existing Gallup Wells in Notice Area

- (1) **Federal B #12**
Sec 27, SE4NE4 - 23N-07W
Lybrook Gallup
Encana Oil & Gas (USA) Inc.
- (2) **Federal B #14**
Sec 27, NE4NE4 - 23N-07W
Lybrook Gallup
Encana Oil & Gas (USA) Inc.
- (3) **Federal B #015**
Sec 27, SE4SE4 - 23N-07W
Lybrook Gallup
Encana Oil & Gas (USA) Inc.
- (4) **Federal B#6**
Sec 27, SW4SW4 - 23N-07W
Alamito Gallup
Encana Oil & Gas (USA) Inc.

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



State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



March 12, 2013

Encana Oil & Gas (USA) Inc.
c/o Holland & Hart LLP
Attn: Mr. Michael Feldewert

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6769
Administrative Application Reference No. pPRG1304947982

Encana Oil & Gas (USA) Inc.
OGRID 282327

Lybrook H26-2307 Well No. 1H
API No. 30-043-21118

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	2257 FNL & 357 FEL	H	26	23N	7W	Sandoval
Penetration Point	2213 FNL & 861 FEL	H	26	23N	7W	Sandoval
Terminus	2247 FNL & 337 FWL	E	26	23N	7W	Sandoval

***Lybrook H26-2307 Well No. 2H**
API No. 30-043-21133

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	2227 FNL & 357 FEL	H	26	23N	7W	Sandoval
Penetration Point	1882 FNL & 1038 FEL	H	26	23N	7W	Sandoval
Terminus	1924 FNL & 342 FWL	E	26	23N	7W	Sandoval

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
N/2 of Section 26	320	Basin; Mancos Gas	97232

Reference is made to your application received on February 15, 2013.

You have requested to drill these horizontal wells at unorthodox well locations described above in the referenced pool or formation. This location is governed by the Special Rules for the Basin Mancos Gas Pool, as set forth in Order R-12984, and by Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are less than 660 feet from an outer boundary of the project area.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking these locations for engineering reasons, in order to efficiently drain hydrocarbon reserves within this project area.

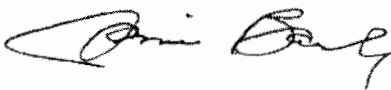
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox locations are hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.15.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Aztec
United States Bureau of Land Management