

7/28/2014	7/28/2014	SUSPENSE	MAM	ENGINEER	7/29/2014	LOGGED IN	NSP	NSL	PMAM/42103182	PMAM/421030815
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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]

NSP 1999
 NSL 7137
 - ENCAN Oil
 GAS (USA)
 282327

- [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
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

- well
 - Lybrook E33
 2307
 30-043-21195
 Pool
 - Basin Mancos
 97232.

[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

ATTORNEY

Title

mfeldewert@hollandhart.com

e-mail Address

7/28/14
 Date



July 28, 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 a 160-acre non-standard spacing unit in the Basin Mancos Gas Pool (97232), and approval of an unorthodox well location in the Basin Mancos Gas Pool; Section 32, 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) plans to drill the **Lybrook E33-2307 01H Well** as a horizontal well in the N/2N/2 of Section 32, Township 23 North, Range 7 West, Sandoval County, New Mexico, from a surface location 1741 feet from the North line and 549 feet from the West line (Unit E) of Section 33, Township 23 North, Range 7 West. The completed interval for the well will commence in Section 32 at a location 400 feet from the North line and 330 feet from the East line (Unit A) to a bottom hole location 400 feet from the North line and 330 feet from the West line (Unit D).

The N/2N/2 of Section 32 is located in the Basin Mancos Gas Pool (97232) and subject to the Special Rules created under Order R-12984. These special rules require 320-acre spacing units and 660 foot setbacks from the outer boundary of the spacing units. *Id.* at Rule 2. The completed interval for Encana's proposed well is closer than 660 feet from the North, East and West lines of the proposed non-standard spacing unit. Accordingly, the proposed well's location is non-standard under the Basin Mancos Special Pool Rules.

To efficiently develop this acreage under these circumstances, Encana requires approval of the following:

- (1) a non-standard 160-acre spacing and proration unit in the Basin Mancos Gas Pool comprised of the N/2N/2 of Section 32; and
- (2) a non-standard location in the Basin Mancos Gas Pool.

HOLLAND & HART^{LLP}



Exhibit A is the Well Location and Acreage Dedication Plat (Form C-102) for the proposed **Lybrook E33-2307 01H Well** in the N/2N/2 of Section 32. This shows that the proposed well encroaches towards the spacing and proration units to the West, Northwest, North, Northeast and East.

Exhibit B is a land plat depicting the proposed **Lybrook E33-2307 01H Well** in relation to adjoining units and further identifies the owners in the affected leases. This exhibit reflects that the N/2 N/2 of Section 32 is located within the Basin Mancos Gas Pool while the S/2 N/2 of Section 32 is located within the Alamito Gallup Pool, a frozen oil pool under the provisions of Order R-12984. Accordingly, a non-standard spacing unit in the Basin Mancos Gas Pool is necessary to develop the acreage in the N/2 N/2 of Section 32.

Dugan Production Corp. is the only affected party for the request for approval of the non-standard well location and for the request to create a non-standard spacing unit in the Basin Mancos Gas Pool. A copy of this application with all attachments has been sent to Dugan advising them that if they have an objection they must file it in writing with the division within 20 days from the date the division receives this application. In addition, a courtesy copy has been provided to the New Mexico State Land Office.

Your attention to this matter is appreciated.

Sincerely,

Michael H. Feldewert

ATTORNEY FOR ENCANA OIL & GAS (USA).

cc: New Mexico State Land Office
310 Old Santa Fe Trail
Santa Fe, NM 87501

Dugan Production Corp.
709 East Murray Drive
Farmington, NM 87401

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) 748-1283 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 30-043-21195	*Pool Code 97232	*Pool Name BASIN MANCOS GAS
*Property Code	*Property Name LYBROOK E33-2307	*Well Number 01H
*GRID No. 282327	*Operator Name ENCANA OIL & GAS (USA) INC.	*Elevation 6853'

10 Surface Location

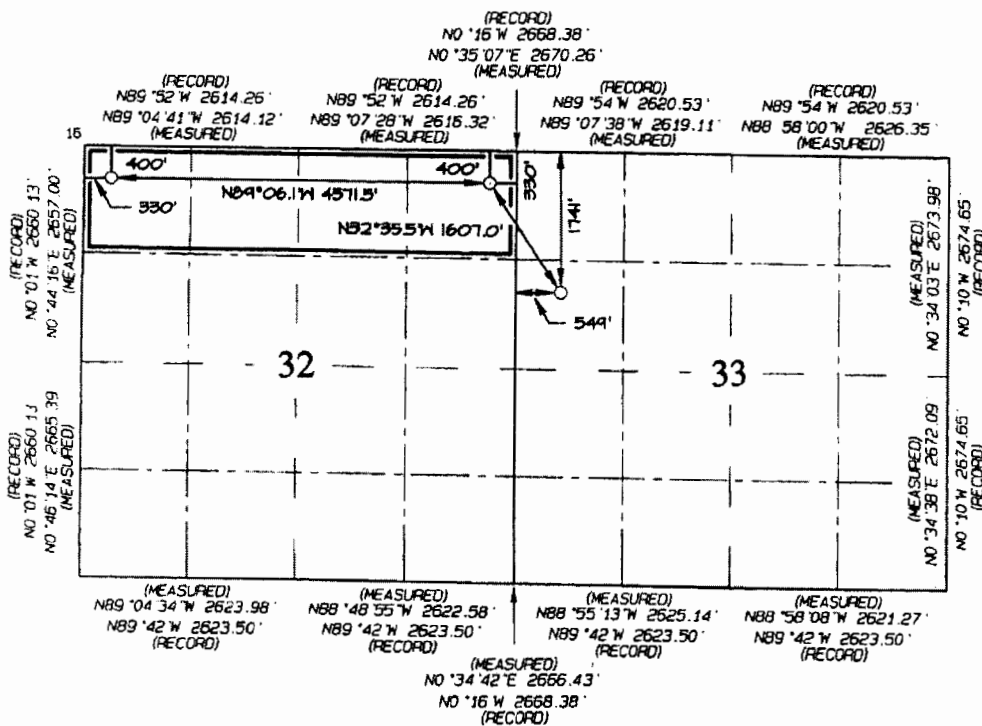
U. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	33	23N	7W		1741	NORTH	549	WEST	SANDOVAL

11 Bottom Hole Location If Different From Surface

U. or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	32	23N	7W		400	NORTH	330	WEST	SANDOVAL

*Dedicated Acres 150.00 Acres N/2 N/2 - Section 32	*Joint or Infill	*Consolidation Code	*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



END-OF-LATERAL
400' FNL 330' FNL
SECTION 32, T23N, R7W
LAT: 36.18948°N
LONG: 107.60480°W
DATUM: NAD1927

POINT-OF-ENTRY
400' FNL 330' FNL
SECTION 32, T23N, R7W
LAT: 36.18946°N
LONG: 107.58931°W
DATUM: NAD1927

SURFACE LOCATION
1741' FNL 549' FNL
SECTION 33, T23N, R7W
LAT: 36.18577°N
LONG: 107.58632°W
DATUM: NAD1927

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 unless 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: 2/11/14

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 of Survey: AUGUST 2, 2013

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269



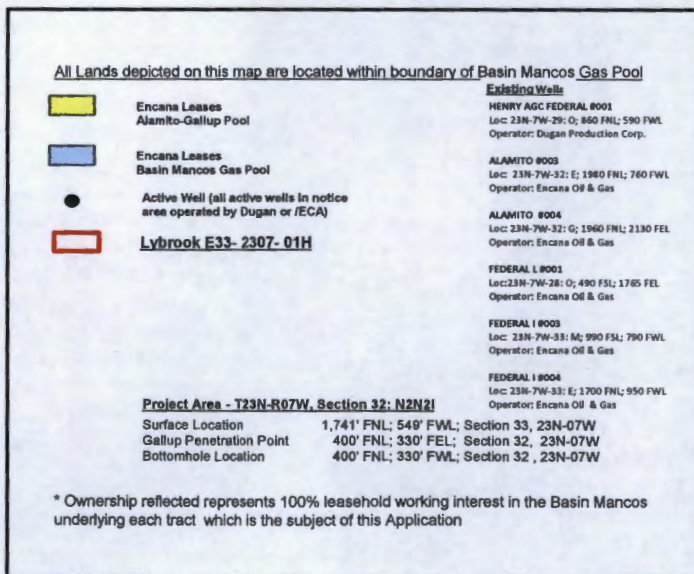
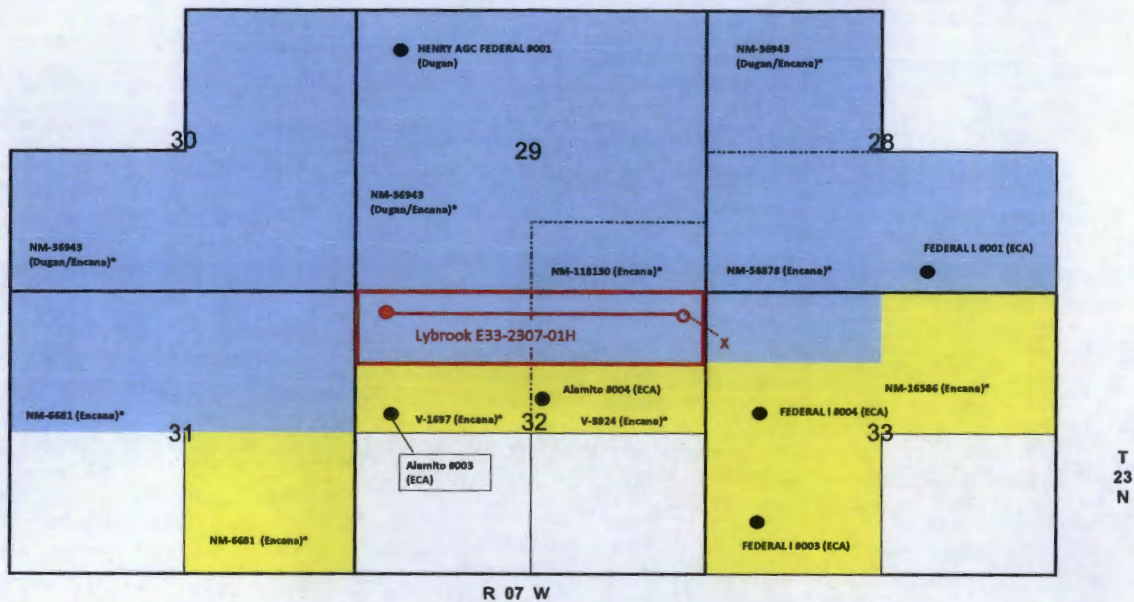


Exhibit B

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



HOLLAND & HART



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

July 28, 2014

VIA CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: Dugan Production Corp.
709 East Murray Drive
Farmington, NM 87401

Re: Application of Encana Oil & Gas (USA) Inc. for administrative approval of a 160-acre non-standard spacing unit in the Basin Mancos Gas Pool (97232), and approval of an unorthodox well location in the Basin Mancos Gas Pool; Section 32, Township 23 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico.

Dear Mr. Kurt Fagrelus:

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:

Skylar Fast
Encana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, Colorado 80202
(720) 876-3881
Skylar.Fast@encana.com

Sincerely,

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

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

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