

Ray Powell, M.S., D.V.M.
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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COMMISSIONER'S OFFICE

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www.nmstatelands.org

May 8, 2013

Encana Oil & Gas (USA) Inc.
Republic Plaza 370 17th Street, Suite 1700
Denver, CO 80202

Attention: Mr. B. Wade McCool

Re: Preliminary Approval for Proposed Gallo Canyon Unit
Sandoval County, New Mexico

Dear Mr. McCool:

This office has received your letter of April 30, 2013 wherein you have requested preliminary approval for the Gallo Canyon Unit area, Sandoval County, New Mexico. The proposed unit agreement meets the general requirements of the Commissioner of Public Lands, who has this date granted you preliminary approval as to form and content.

Preliminary approval shall not be construed to mean final approval of this agreement in any way and will not extend any short term leases, until final approval and an effective date have been given.

When submitting your agreement for final approval, please submit the following:

1. Application for final approval by the Commissioner setting forth the tracts that have been committed and the tracts that have not been committed.
2. Pursuant to SLO Rule 19.2.100.51, applications for approval shall contain a statement of facts showing:
 - a. That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy.
 - b. That under the proposed unit operation, the State of New Mexico will receive its fair share of the recoverable oil and gas in place under its lands in the proposed unit area.
 - c. That each beneficiary institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the unit area.
 - d. That such unit agreement is in other respects for the best interest of the trust.

BEFORE THE OIL CONSERVATION DIVISION

Santa Fe, New Mexico

Exhibit No. 3

Submitted by: ENCANA OIL & GAS (USA) INC.

Hearing Date: May 16, 2013

3. All ratifications from the Lessees of Record and Working Interest Owners. All signatures should be acknowledged by a notary and one set must contain original signatures.
4. Designation/concurrence from the Bureau of Land Management.
5. Order of the New Mexico Oil Conservation Division. Our approval will be conditioned upon subsequent favorable approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.
6. The filing fee for a Unit Agreement is \$30.00 for every section or partial section thereof. Please submit a filing fee in the amount of \$270.00.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
Larry J. Roybal, Director

Oil, Gas and Minerals Division
(505) 827-5744

RP/LR/pm

cc: Reader File,

OCD-Attention: Mr. Ed Martin

BLM Farmington-Attention: Mr. Wayne Townsend