

June 9, 2011

Ms. Cindy Allen  
EnCana Oil & Gas (USA) Inc.  
370 17<sup>th</sup> Street, STE 1700  
Denver, CO 80202

RE: Notice of Alleged Violation #200264506  
Deason #11-36, 05-013-06503  
COGCC Project File: #2101

Dear Ms. Allen:

On July 30, 2010 the Colorado Oil & Gas Conservation Commission issued Notice of Alleged Violation #200264506 to EnCana Oil & Gas (USA) Inc. (EnCana) after receiving a complaint (#200277565) from Boulder County Parks and Open Space (BCPOS) concerning the EnCana Deason #11-36 well located in the NW/4 NW/4 of Section 36, Township 2 North, Range 69 West. A representative from BCPOS indicated that EnCana's operations may have damaged field drain tiles and that drilling pit reclamation resulted in compaction which has impeded the natural drainage of the area. A COGCC inspection (#20026416) was conducted and an NOAV was issued. Further investigation however indicates that oil and gas activities are not responsible for the conditions and problems identified in the complaint. The NOAV has therefore been closed and no further enforcement actions will be taken.

The NOAV is being resolved with no further action based on the results of an investigation conducted for the COGCC by AgriTech Consulting (AC) in April 2011. The purpose of the investigation was to identify the cause of high water table, increasing soil salinity and poor crop production noted near the Deason #11-36 well and the Caldwell 14-25 well (05-013-06512) located in the SW/4 SW/4 of Section 25, Township 2 North, Range 69 West. The scope of work for the investigation was:

- Review data in COGCC files.
- Interview COGCC, NRCS, BCPOS and EnCana staff.
- Review the results of the USDA-NRCS investigation.
- Interview other persons or review other files regarding the site conditions at the subject properties.
- Conduct site inspections.
- Prepare and submit a letter report with conclusions and/or recommendations for further investigations, if necessary, to verify potential causes for impacts.

The investigation was completed by Ron Miller agronomist and Certified Crop Advisor and Gerald W. Knudson a Colorado Registered Professional Engineer. Tasks completed by AC included:

- Direct personal interviews with:
  - Margaret Ash, Diana Burn - COGCC

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- Rob Alexander - BCPOS
- Don Graffis - National Resources Conservation Service (NRCS) District Conservationist, Longmont Field Office
- Jason Peel - NRCS, Irrigation and Salinity Specialist
- Cindy Allen and Jack Croom - EnCana
- Surface Tenant /farmer
- Review of aerial photographs for period 1963 through 2011 (Boulder County FSA Office and NRCS field office)
- Review of aerial photographs supplied by COGCC that had been submitted by BCPOS during the course of the complaint investigation.
- Review of site soils data from NRCS National Soil Database.
- Site inspections.
- Review of NRCS salinity field mapping conducted in the fall of 2010.
- Document Review
  - Court water filings, and
  - Pipeline maps and locations as provided by EnCana Oil Company.

AgriTech finished the investigation and then submitted the final report to the COGCC in May, 2011. The investigation found evidence of historic crop damage or weak crops existing in the similar patterns as those in the present. The investigation also noted that the White Rock Irrigation Canal is likely a major contributor to high groundwater in the area.

A copy of the report which contains a more detailed discussion of the overall investigation, results and conclusions is attached. The Colorado Oil & Gas Commission appreciates EnCana's cooperation in resolving this matter.

Sincerely,



Margaret Ash  
 Manager, Field Inspection Unit  
 Colorado Oil & Gas Conservation Commission

Attachment: Investigation of Deason #11-36 Well Site Notice of Alleged Violation, May, 2011

cc: David Neslin, Director, COGCC, w/o attachment  
 Rob Willis, Acting Hearings Manager, COGCC, w/o attachment  
 Conrad Lattes, Attorney, Boulder County Parks and Open Space  
 Rob Alexander, Agricultural Resource Specialist, Boulder County Parks and Open Space  
 Diana Burn, Engineering Supervisor, COGCC w/o attachment  
 Gary Helgeland, Reclamation Specialist, COGCC, w/o attachment  
 Project File #2101