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Receiving Operator Water Reuse Plan

**Encana Oil & Gas (USA) Inc and WPX Energy Rocky
Mountain, LLC**

June 2013

Purpose and Need

This water re-use plan is to be submitted to the Colorado Oil and Gas Conservation Commission (COGCC) with a Form 4 (sundry) to allow a temporary produced water transfer agreement between Encana Oil & gas (USA) Inc (Encana) and WPX Energy Rocky Mountain, LLC (WPX).

Encana has a need for up to 300,000 barrels (bbls) of produced water for Exploration and Production operations in Garfield County, Colorado. WPX operates wells in the Rulison, Parachute and Grand Valley Fields located in Garfield County, Colorado located near Encana's location currently in need of produced water. WPX is currently sending 10,000-15,000 bbls per day of excess non-tributary produced and flowback water to their approved, existing Parachute and Rulison Water Treatment Facilities for disposal and injection.

Encana would like to receive water for beneficial re-use. If permitted to do so, water will be collected at WPX's approved Parachute Water Treatment Facility (Facility ID 149015, SWSW Sec. 36, T6S-R96W, 6th PM) and piped to the Custody Transfer Point in the SWSW of Sec 23, T2S-R99W) or approved Rulison Water Treatment Facility (Facility ID 149006, NWSW Sec. 20, T6S-R96W, 6th PM). Water will be trucked to Encana's approved Oil & Gas Locations located in its Mamm Creek operating area, specifically the F25NWB well pad (Facility ID 423182, SENW Sec. 25, T6S-R93W, 6th P.M.) and the J26NWB well pad (Facility ID 324257, NWSE Sec. 26, T6S-R93W, 6th P.M.), all located in Garfield County, Colorado, via existing roads used by WPX and Encana. Encana will test and verify compatibility of the produced water provided by WPX. Transfer of produced water would begin upon COGCC and BLM approval and terminate after 180 days with an option for extension.

Benefits

Under this plan, each party shall use reasonable and available means to safely transfer production water, in sufficient volumes and quality, to meet the other party's transfer request, when mutually agreeable to do so. The benefits include:

- Less fresh water withdraws from surface water sources;
- Less reliance on injection wells for disposal of production/flowback water;
- Increased operational efficiencies from reusing local supplies of production/flowback water to meet water demands for drilling, completion and workover activities.

Produced Fluid Pickup and Transfer Location

Produced water will be collected at either of the two identified WPX Water Treatment Facilities and trucked to either of the two identified Encana Well Pads (Custody Transfer Points) via existing access roads used by Encana and WPX. The transferring company (WPX) shall maintain all regulatory responsibility, custody and control for all water until such time it is transferred onto Encana's well pads. Once the water trucks enter the boundaries of Encana's Water Treatment Facilities acting as Custody Transfer Points,

the receiving company will assume all regulatory responsibility, custody and control of the water. (See attached maps for additional detail on the custody transfer points, transportation and handling of produced water).

From the custody transfer point, Encana will reuse the transferred water at the following locations:

- Frac Location 1: I27W Pad: Location ID: 324383; NESE, Sec.27, T7S, T93W, Garfield County, Colorado;
- Frac Location 2: O19EB Pad: Location ID: 431050; SWSE, Sec. 19, T7S, R92W, Garfield County, Colorado.
- Frac Location 3: K19CNE Pad: Location ID: 335409; Lot 3, Sec. 19, T6S, R92W, Garfield County, Colorado
- Frac Location 4: J24NW Pad: Location ID: 335058; NWSE, Sec. 24, T6S, R93W, Garfield County, Colorado

Receipt

Encana's receiving activities will consist of the following:

Receipt of water from WPX's Parachute Water Treatment Facility (Facility ID 149015) and the Rulison Water Treatment Facility (Facility ID 149006) will occur at the Custody Transfer Points located in Garfield County, Colorado. Encana will assume responsibility of the water once it enters the well pad and will assume responsibility for unloading activities.

Encana has placed temporary Baker tanks on the F25NWB well pad (Facility ID 423182) and as a backup option the J26NWB well pad (Facility ID 324257). Water will be offloaded into these tanks and piped through the existing water system to each of the 4 proposed reuse locations specified above via surface pipeline as depicted in the attached Exhibit B.

The volumes of fluid to be delivered to the Custody Transfer Points will be up to 10,000 bbls/day; actual transferred volumes will be metered.

The transfer operator will maintain records with the following information:

- Changes to the approved plan;
- Applicable training requirements for its contractors (lock out/ tag out, job hazard analysis at the transfer location, etc.);
- Types and results of internal and contractor audits conducted;
- Tabulated waste generator records, if required by Rule 907.b.(2) including:
 - Date of transport
 - Identity of water generator
 - Identity of water transporter
 - Volume of water transported
 - Location of receiving point(Transport tickets will be maintained for each load)
- Summary of spills, incidents or upsets;

Spill Response and Cleanup Measures

WPX's collection facilities are covered under a Spill Prevention Control and Countermeasure Plan (SPCC).

Encana's receiving points are also covered under a SPCC plan.

Analytical Data

An analysis representative of the water to be transferred to Encana will be included as Exhibit A.

Operator Contact Information

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Summary

Proposed use of water – Encana's Garfield County drilling and completion activities;

Destination of water – F25NWB well pad (Facility ID 423182) and J26NWB well pad (Facility ID 324257) located in Garfield County, Colorado;

Water Transportation – All water transported to Encana will be trucked via existing roads used by WPX and Encana.

Estimated volume of water transferred – up to 10,000 bbls/day for up to 180 days.

The receiving operator shall implement the following:

- If locations are in a sensitive area because of its proximity to surface water operator must ensure 110 percent secondary containment for any volume of fluids contained at the water handling facility site during natural gas development activities and operations; including, but not limited to, construction of a berm or diversion dike, diversion/collection trenches within and/or outside of berms/dikes, site grading, or other comparable measures (i.e., best management practices (BMPs) associated with stormwater management) sufficiently protective of

nearby surface water. Any berm constructed at the well pad location will be stabilized, inspected at regular intervals (at least every 14 days), and maintained in good condition.

- Operator must implement best management practices to contain any unintentional release of fluids, including any fluids conveyed via temporary surface pipelines.
 - Operator shall provide overflow protection for each tank proposed in the facility plans, if tanks are used.
 - Termination of activity: both Encana and WPX shall notify the COGCC via sundry immediately upon termination of activities.
 - Encana and WPX will each separately submit an annual report to the COGCC summarizing the transfer of production water (both as transfer and receiving operator) during the calendar year and including laboratory analytical results for representative samples(s) of the production water provided as the transfer/receiver. The annual report shall be submitted on or before the anniversary of the first date of transfer.
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