



March 1, 2011

File: 52400-02

Deb Gogol, C.E.T.
Reservoir Engineering Technologist
EnCana Corporation
150, 9th Avenue SW
Calgary, Alberta T2P 2S5

Dear Ms. Gogol:

**RE: OFF-TARGET PRODUCTION PENALTY EXEMPTION
ECA HZ SWAN b-C86-B/93-P-09; WA# 26245**

Commission staff have reviewed the application by EnCana Corporation, dated October 19, 2010, requesting waiver of the production penalty factor for the subject off-target well, for gas production from the Montney formation.

The subject horizontal well has been drilled outside a southern boundary of the existing EnCana Good Engineering Practice project boundary (GEP Approval #03-060-030). The well spacing area is presently held under Petroleum and Natural Gas Lease 49231 and 51862. A letter of no objection to waiver of the off-target production penalty has been supplied from the registered owner of the affected off-setting Petroleum and Natural Gas Lease 58550 to the south. Therefore, the off-target production penalty prescribed under Section 7(3) of the Drilling and Production Regulation (the Regulation) is hereby waived under Section 4(1)(c) of the Regulation, for gas production from the Montney formation.

Under the authority of Section 4(2) of the Regulation, this order is conditional upon the operator of the subject well retaining the rights, or consent of the rights holder, to the gas spacing area constituted by the following units:

93-P-09, Block B, Units 54, 55, 64, and 65.

Should you have any questions regarding this order, please contact the undersigned at (250) 419-4432.

Sincerely,

A handwritten signature in cursive script that reads 'Chris Grieve'.

Chris Grieve
Reservoir Engineering Technician