

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**David Martin**  
Cabinet Secretary-Designate

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey, Division Director**  
Oil Conservation Division



September 5, 2013

Encana Oil & Gas (USA) Inc.  
c/o Holland & Hart LLP  
Attn: Mr. Michael H. Feldewert

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

**Administrative Order NSL-6851**  
**Administrative Application Reference No. pPRG1322054731**

**Encana Oil & Gas (USA) Inc.**  
**OGRID 282327**  
**Escrito E26-2407 Well No. 1H**  
**API No. 30-039-31148**

**Proposed Location:**

|                   | <u>Footages</u>    | <u>Unit</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|--------------------|-------------|-------------|-------------|--------------|---------------|
| Surface           | 1786 FNL & 431 FWL | E           | 26          | 24N         | 7W           | Rio Arriba    |
| Penetration Point | 2150 FNL & 330 FEL | H           | 27          | 24N         | 7W           | Rio Arriba    |
| Terminus          | 2150 FNL & 330 FWL | E           | 27          | 24N         | 7W           | Rio Arriba    |

**Proposed Project Area:**

| <u>Description</u> | <u>Acres</u> | <u>Pool</u>                 | <u>Pool Code</u> |
|--------------------|--------------|-----------------------------|------------------|
| N/2 of Section 27  | 320          | Escrito Gallup (Associated) | 22619            |

Reference is made to your application received on August 6, 2013.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by special rules which provide for 80-acre units, with wells located at least 790 feet from a quarter section boundary, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are less than 790 feet from the quarter section lines that constitute the outer boundaries of the project area.

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Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Rule 2(c) of the General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico, as promulgated by Order R-5353, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.15.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", with a stylized, cursive script.

Jami Bailey  
Director

JB/db

cc: New Mexico Oil Conservation Division – Aztec  
United States Bureau of Land Management