

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

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

Jami Bailey, Division Director
Oil Conservation Division



July 8, 2013

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

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6830
Administrative Application Reference No. pAXK1316533013

Encana Oil & Gas (USA) Inc.
OGRID 282327
Escrito D34-2409 Well No. 1H
API No. 30-045-35440

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	1109 FNL & 509 FWL	D	34	24N	9W	San Juan
Penetration Point	585 FNL & 330 FEL	A	33	24N	9W	San Juan
Terminus	585 FNL & 330 FWL	D	33	24N	9W	San Juan

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
N/2 N/2 of Section 33	160	Basin; Mancos Gas	97232
		Bisti; Lower Gallup Oil	5890

Reference is made to your application received on June 13, 2013.

You have requested to drill this horizontal well at an unorthodox location described above in the referenced pool or formation. This location is governed by the Special Rules for the Basin Mancos Gas Pool, and by Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. The Special Rules for the Basin Mancos Gas Pool provide for 320-acre units with wells to be located at least 660 feet from any unit boundary. The portion (N/2 NE/4 of Section 33) of the project area for this well that is within the Basin Mancos Gas Pool is included in a non-standard unit in that pool established by Order NSP-1969, of even

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date herewith. However, the location of this well in the Basin Mancos Gas Pool is unorthodox because portions of the proposed completed interval in that pool are less than 660 feet from an outer boundary of the project area.

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 because this is an oil prospect located partly within a gas pool, and the location is designed to utilize an oil well setback rather than the gas setback provided in the special pool rules.

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 Division Rule 15.13.B, 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,



Jami Bailey
Director

JB/db

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