

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
Attn: Mr. Michael H. Feldewert

ADMINISTRATIVE NON-STANDARD PRORATION UNIT ORDER

Administrative Order NSP-1969
Administrative Application Reference No. pAXK1316533574

Encana Oil & Gas (USA) Inc.
OGRID 282327

Subject Pool: Basin Mancos Gas (Pool Code 97232)

**Subject Unit: N/2 NE/4 of Section 33, Township 24 North, Range 9 West,
San Juan County, New Mexico**

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

You have requested an exception to Rule 2.A of the Special Rules for the Basin; Mancos Gas Pool, as adopted by Order No. R-12984, issued on September 3, 2008, to approve a non-standard, 80-acre oil spacing and proration units described above as the Subject Unit. The said Rule provides that a standard spacing unit in the Subject Pool shall consist of 320 acres comprising the N/2, S/2, E/2 or W/2 of a section. The Subject Unit is entirely located within a single quarter section.

Your application has been duly filed under the provisions of Division Rules 19.15.15.11.B(2) and 19.15.14.12.A(3).

We understand that you are seeking this exception in order to establish a standard project area for a horizontal well that will cross the boundary between the Subject Pool and the Bisti; Lower Gallup Pool, which is spaced on 80 acres. The NW/4 of Section 33 is in the Bisti; Lower Gallup Pool. It is not possible to form 80-acre stand-up spacing units in the NW/4 of Section 33 because there is an existing lay-down unit that comprises the N/2 NW/4. Accordingly, formation of the 80-acre Subject Unit in the Basin Mancos Gas Pool is necessary to form a project area for a horizontal well in the N/2 N/2 of Section 33.

July 8, 2013

Page 2

It is also understood that you have given due notice of this application to all persons to whom notice is required by Division Rule 19.15.14.12.A(3).

Pursuant to the authority conferred by said Rule, the Subject Unit is hereby approved.

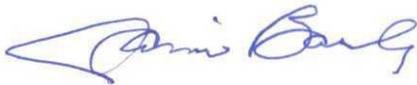
The Subject Unit shall be dedicated, as part of a project area comprising the N/2 N/2 of Section 33, to the following well:

Escrito D-34-2409 Well No. 1H (API No. 30-045-35440) having a surface location 1109 feet FNL and 509 feet FWL (Unit D) of Section 34, and a bottom hole location 585 feet FNL and 330 feet FWL (Unit D) of Section 33.

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