

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

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

David R. Catanach, Division Director
Oil Conservation Division



January 14, 2015

Encana Oil and Gas (USA) Inc.
Attn: Ms. Jordan Kessler

ADMINISTRATIVE NON-STANDARD LOCATION, AND NON-STANDARD PRORATION
UNIT

Administrative Order NSL-7224
Administrative Application Reference No. pMAM1436340296

Administrative Order NSP-2016
Administrative Application Reference No. pMAM1436340915

Encana Oil and Gas (USA) Inc.
OGRID 282327
Lybrook G31-2307 Well No. 01H
API No. 30-043-21217

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	1358 FNL & 2379 FEL	G	31	23N	7W	Sandoval
Penetration Point	400 FNL & 2287 FWL	C	31	23N	7W	Sandoval
Terminus	400 FNL & 330 FWL	D	36	23N	8W	San Juan

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
NW/4 of Section 31,	161.24	Basin Mancos	97232
N/2 of Section 36	320		

Reference is made to your application received on December 24, 2014.

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 the Special Rules for the Basin Mancos Gas Pool, which provides for 320-acre units with wells to be located at least 660 feet from outer unit boundaries, and Rule 19.15.16.14.B (2) NMAC concerning

directional wells in designated project areas. This surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface locations outside project area. This location is unorthodox because portions of the proposed completed interval are less than 660 feet to the outside boundaries of the project area.

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

It is our understanding that Encana is seeking this location to allow for efficient well spacing and prevent waste of a productive reservoir.

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 19.15.4.12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit

You have also requested approval of a non-standard proration unit to be included in your proposed project area, as follows:

Units Comprising this Project Area

<u>Unit</u>	<u>Acres</u>	<u>Pool</u>	<u>Code</u>
NW/4 of Section 31	161.24	Basin Mancos	97232
N/2 of Section 36	320		

You have requested an exception pursuant to Rule 19.15.16.7.M NMAC, to approve a non-standard oil spacing and proration unit comprising 161.24-acres, consisting of the NW/4 of Section 31.

It is our understanding that Encana is seeking this approval because the SW/4 of Section 31 is dedicated to the Alamito-Gallup Pool, which is comprised of a single lessee. The non-standard proration unit will allow the single lessee to be developed independently. Further, Encana is planning on developing the E/2 of the Section 31 with two standup horizontal wells.

This application is in conjunction with Administrative Order NSL-7225, and Administrative Order NSL-7226, issued on January 14, 2015 for the identical acreage.

It is also understood that you have given due notice of this application to all persons to whom notice is required by Rule 19.15.4.12.A(3) NMAC.

Pursuant to the authority conferred by Division Rule 19.15.15.11.B(2), the above-described non-standard proration unit is hereby approved.

January 14, 2015

Page 3

General provisions

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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

DONE at Santa Fe, New Mexico, on January 14, 2015.

A handwritten signature in black ink, reading "David R. Catanach". The signature is written in a cursive style with a horizontal line underneath.

DAVID R. CATANACH
Director

DC/mam

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management - Farmington
New Mexico State Land Office – Oil, Gas, and Minerals