

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



May 30, 2012

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

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6632
Administrative Application Reference No. pTWG12-14428571

Encana Oil & Gas (USA) Inc.
OGRID 282327
Lybrook H36-2307 Well No. 1H
API No. 30-043-21117

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	1550 FNL & 280 FEL	H	36	23N	7W	Sandoval
Penetration Point	1550 FNL & 524 FEL	H	36	23N	7W	Sandoval
Terminus	1550 FNL & 330 FWL	E	36	23N	7W	Sandoval

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
S/2 N/2 of Section 36	160	Lybrook Gallup	42289

Reference is made to your application received on May 22, 2012.

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 statewide Rule 15.9.A [19.15.15.9.A NMAC], which provides for 40-acre units, with wells located at least 330 feet from a unit outer 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 330 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 due to the necessity to re-designate the project area for this well to conform to amended Division rules.

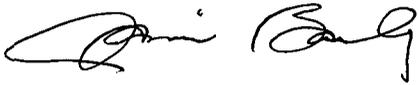
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

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,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" and last name "Bailey" clearly distinguishable.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Aztec
New Mexico State Land Office