

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



March 27, 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-1962
Administrative Application Reference No. pPRG1306032563

Encana Oil & Gas (USA) Inc.
OGRID 282327

Subject Pool: Bisti; Lower Gallup (Pool Code 5890)

**Subject Units: E/2 SE/4, W/2 SE/4, E/2 SW/4 and W/2 SW/4 of Section 16,
Township 24 North, Range 9 West, San Juan County, New Mexico**

Reference is made to your application received on February 28, 2013.

You have requested an exception to Rule 2 of the Special Rules and Regulations for the Bisti-Lower Gallup Oil Pool, as adopted by Order No. R-1069-B, issued on January 17, 1958, to approve two non-standard, 80-acre oil spacing and proration units described above as the Subject Units. The said Rule provides that a standard spacing unit in the Subject Pool shall comprise 80 acres and consist of the N/2 or S/2 of a quarter section. Each of the proposed Subject Units comprises 80 acres, but is non-standard because each such unit consists of the E/2 or W/2 of a quarter section rather than the N/2 or S/2.

Your application has been duly filed under the provisions of Rule 4 of the said Special Rules and Regulations for the Bisti-Lower Gallup Oil Pool.

We understand that you are seeking this exception in order to maintain the ownership interests in wells already drilled, as provided in an existing Communitization Agreement.

It is also understood that you have given due notice of this application to all persons to whom notice is required by Rule 4 of the Special Rules and Regulations for the Bisti-Lower Gallup Oil Pool.

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Pursuant to the authority conferred by said Rule, the Subject Units are hereby approved.

The Subject Units shall be dedicated, as a project area, to the following wells:

Escrito I-16-2409 Well No. 1H (API No. 30-045-35362) having a surface location 2230 feet FSL and 300 feet FEL (Unit I) and a bottom hole location 2230 feet FSL and 330 feet FWL (Unit L) of Section 16; and

Escrito P-16-2409 Well No. 1H (API No. 30-045-35313) having a surface location 700 feet FSL and 333 feet FEL (Unit P) and a bottom hole location 699 feet FSL and 330 feet FWL (Unit M) of Section 16.

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