

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

Heather Riley, Division Director
Oil Conservation Division



November 09, 2018

Ms. Jordan L. Kessler
Jlkessler@hollandhart.com

NON-STANDARD LOCATION

Administrative Order NSL-7784

Ameredev Operating LLC [OGRID 372224]
Red Bud 25 36 32 State Com Well No. 107H
API No. 30-025-45036

Proposed Location

| | <u>Footages</u> | <u>Unit/Lot</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|------------------|--------------------|-----------------|-------------|-------------|--------------|---------------|
| Surface | 200 FSL & 1012 FEL | P | 32 | 25S | 36E | Lea |
| First Take Point | 100 FSL & 1026 FEL | P | 32 | 25S | 36E | Lea |
| Last Take Point | 100 FNL & 1026 FEL | A | 29 | 25S | 36E | Lea |
| Terminus | 50 FNL & 1026 FEL | A | 29 | 25S | 36E | Lea |

Proposed Horizontal Spacing Unit

| <u>Description</u> | <u>Acres</u> | <u>Pool</u> | <u>Pool Code</u> |
|---------------------|--------------|---------------------|------------------|
| E2 E2 of Section 32 | 320 | Jal; Wolfcamp, West | 33813 |
| E2 E2 of Section 29 | | | |

Reference is made to your application received on November 8, 2018.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. Sub Paragraph (a) of Paragraph (1) of Subsection B of 19.15.16.15 NMAC governs this proposed well and provides that the operator shall dedicate to each horizontal oil well a standard horizontal spacing unit that comprises of one or more contiguous tracts that the horizontal oil well's completed interval penetrates, each of which consists of a governmental quarter-quarter section or equivalent.

This well's completed interval is as close as 294 feet to the western edge. Encroachments will impact the following tracts.

Section 32, encroachment to the W2 E2
Section 29, encroachment to the W2 E2

The Division understands you have given notice of this application to all operators or owners who are "affected persons," as defined in Paragraph (8) Subsection A of 19.15.2.7 NMAC, in all adjoining units towards which the proposed location encroaches. However, ownership is identical in the adjacent area of the proposed horizontal spacing unit; therefore, notice is not required.

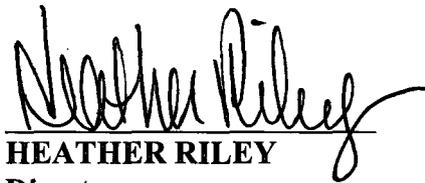
Division understands you seek this location as a preferred well spacing for horizontal wells to maximize the recovery of oil and gas reserves underlying the horizontal spacing unit located within the Wolfcamp formation underlying the E2 E2 of Section 32 and E2 E2 of Section 29.

Your application has been filed under Subsection 6 of Paragraph of Section (C) of 19.15.16.15 NMAC, 19.15.15.13 NMAC and Paragraph (2) of Subsection A of 19.15.4.12 NMAC.

Per Subsection B of 19.15.15.13 NMAC, Division approves this unorthodox location.

The above approvals are subject to your following all other applicable Division rules.

Jurisdiction of this case is retained for the entry of further orders as Division deems necessary.



HEATHER RILEY

Director

HR/lrl

cc: Oil Conservation Division – Hobbs District Office
State Land Office – Oil, Gas, and Minerals Division