

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



January 2, 2014

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

ADMINISTRATIVE NON-STANDARD PRORATION UNIT ORDER

Administrative Order NSP-1970
Administrative Application Reference No. pPRG1332232902

Encana Oil & Gas (USA) Inc.
OGRID 282327

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

**Subject Units: E/2 NE/4, W/2 NE/4, E/2 NW/4 and W/2 NW/4 of Section 12,
Township 24 North, Range 10 West, San Juan County, New Mexico**

Reference is made to your application received on November 8, 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 allow the applicant to create a 320-acre project area comprised of the N/2 of Section 12 for two proposed "laydown" horizontal wells

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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.

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:

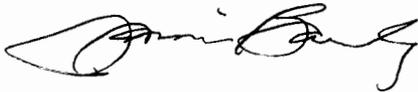
Escrito E-07-2409 Well No. 1H (API No. 30-045-35432) having a surface location 1640 feet FNL and 262 feet FWL (Unit E) of Section 7, Township 24 North, Range 9 West, and a bottom hole location 1320 feet FNL and 330 feet FWL (Unit L) of Section 12. This well is referred in NSP-1970.

Escrito E-07-2409 Well No. 2H (API No. 30-045-35433) having a surface location 1670 feet FNL and 262 feet FWL (Unit E) of Section 7, Township 24 North, Range 9 West, and a bottom hole location 1670 feet FNL and 330 feet FWL (Unit L) of Section 12. This well is referred in NSP-1971.

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/mam

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management - Farmington