

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

Jami Bailey, Division Director
Oil Conservation Division



June 3, 2014

HPOC LLC
Attn: Mr. Butch Butler

ADMINISTRATIVE NON-STANDARD PRORATION ORDER

Administrative Order NSP1987
Administrative Application Reference No. pMAM1414229700

HPOC LLC
OGRID 246238
Torreon Wash 36 State Well No. 1
API No. 30-031-21006

Proposed Location:

<u>Footages</u>	<u>Unit</u>	<u>Section</u>	<u>Township</u>	<u>Range</u>	<u>County</u>
2143 FSL & 1223 FEL	I	36	20N	5W	McKinley

Proposed Unit:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
S/2 NE/4 and N/2 SE/4 of Section 36	160	Arena Blanca-Entrada	2285

Reference is made to your application received on May 22, 2014.

You have requested to drill this well at a non-standard oil spacing and proration unit described above in the referenced pool or formation. This proration unit is governed by the special rules for the Arena Blanca-Entrada, which provide for 160-acre units, with wells located on the NE/4, SE/4, SW/4 or NW/4 of a section. This location is unorthodox because the proration unit is comprised of units in both the NE/4 and SE/4.

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 you are seeking this location based on the 3D seismic interpretation that is identical to the original interpretation done by Penwell Energy, in Division Order No. R-11526. Also, engineering data suggests that reserves still remain in the reservoir.

June 3, 2014

Page 2

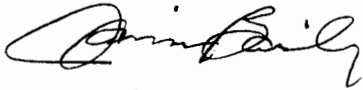
It is also understood that notice of this application to offsetting operators or owners is unnecessary due to common ownership.

Pursuant to the authority conferred by Division Rule 19.15.15.11.B(2), the above-described non-standard oil spacing proration unit 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 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 June 3, 2014.

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/mam

cc: New Mexico Oil Conservation Division – Aztec
New Mexico State Land Office – Oil, Gas and Minerals