

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



August 18, 2014

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

ADMINISTRATIVE NON-STANDARD LOCATION, AND NON-STANDARD PRORATION
UNIT

Administrative Order NSL-7137
Administrative Application Reference No. pMAM1421030815

Administrative Order NSP-1999
Administrative Application Reference No. pMAM1421031182

Encana Oil and Gas (USA) Inc.
OGRID 282327
Lybrook E33-2307 Well No. 1H
API No. 30-043-21195

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	1741 FNL & 549 FWL	E	33	23N	7W	Sandoval
Penetration Point	400 FNL & 330 FEL	A	32	23N	7W	Sandoval
Terminus	400 FNL & 330 FWL	D	32	23N	7W	Sandoval

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
N/2 N/2 of Section 32	160	Basin Mancos	97232

Reference is made to your application received on July 28, 2014.

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 the Special Rules for the Basin Mancos Gas Pool, which provide for 320-acre units with wells located at

least 660 feet from a unit outer boundary. Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas is also applicable, making setback requirements apply to the distance from the outer boundary of the designated project area. This surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface locations outside project area. This location is unorthodox because portions of the proposed completed interval located in the Basin Mancos Gas Pool are less than 660 feet from an outer boundary of the project area.

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 in order to efficiently produce the hydrocarbons within the project area.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Division Rule 19.15.4.12.A(2) NMAC in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit

You have also requested approval of one or more non-standard proration units to be included in your proposed project area, as follows:

Units Comprising this Project Area

<u>Unit</u>	<u>Acres</u>	<u>Pool</u>	<u>Code</u>
N/2 N/2 of Section 32	160	Basin Mancos	97232

A standard proration unit in the Basin Mancos Gas pool consists of 320 acres comprising a half-section. Your proposed non-standard proration unit consists of 160-acres in the N/2 N/2 of the section. In this case, the S/2 N/2 of Section 32 is located in the Alamito Gallup Pool, which is frozen under the provisions of Division Order R-12984. Therefore, a non-standard proration unit is required to develop the acreage in the N/2 N/2 of Section 32.

It is understood that you have given due notice of this application to all operators or owners to whom notice is required by Division Rule 19.15.4.12.A(3) NMAC.

Pursuant to the authority conferred by Division Rule 19.15.15.11.B(2), the above-described non-standard proration unit is hereby approved.

General provisions

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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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 August 18, 2014

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is stylized with a large, sweeping initial "J" and a long, horizontal stroke extending to the right.

Jami Bailey
Director

JB/mam

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