

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



February 16, 2017

McElvain Energy, Inc.
Attn: Ms. Jordan Kessler

ADMINISTRATIVE NON-STANDARD LOCATION

Administrative Order NSL-7501

McElvain Energy, Inc.
OGRID 22044
EK 29 BS2 Federal Com No. 1H
API No. 30-025-PENDING

Non-Standard Location

Proposed Location:

| | <u>Footages</u> | <u>Unit/Lot</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|----------------------|-----------------|-------------|-------------|--------------|---------------|
| Surface | 235' FNL & 1420' FEL | B | 29 | 18S | 34E | Lea |
| Penetration Point | 330' FNL & 660' FEL | A | 29 | 18S | 34E | Lea |
| Final perforation | 330' FSL & 660' FEL | P | 29 | 18S | 34E | Lea |
| Terminus | 230' FSL & 660' FEL | P | 29 | 18S | 34E | Lea |

Proposed Project Area:

| <u>Description</u> | <u>Acres</u> | <u>Pool</u> | <u>Pool Code</u> |
|-----------------------|--------------|------------------|------------------|
| E/2 E/2 of Section 29 | 160 | E-K; Bone Spring | 21650 |

Reference is made to your application received on January 23, 2017.

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 Special rules for the EK; Bone Spring pool, which provides for 80-acre units, with wells located within 150 feet of the center of a governmental quarter-quarter section or lot. This surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface location outside project area. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable pool rules.

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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 McElvain Energy Inc. is seeking this location to increase the recovery of oil and gas reserves that may otherwise not be recovered under the existing pool rule well location requirements, thereby preventing waste.

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 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.

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.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.



DAVID R. CATANACH
Director

DRC/lrl

cc: Oil Conservation Division – Hobbs District Office
Bureau of Land Management – Carlsbad Field Office