

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



May 9, 2014

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

**ADMINISTRATIVE NON-STANDARD LOCATION, NON-STANDARD PRORATION
UNIT, AND DOWN-HOLE COMMINGING ORDER**

Administrative Order NSL-7074
Administrative Application Reference No. pMAM1410546461

Administrative Order NSP-1980
Administrative Application Reference No. pMAM1410548392

Administrative Order DHC-4672
Administrative Application Reference No. pMAM1410548275

Encana Oil and Gas (USA) Inc.
OGRID 282327
Good Times P36-2410 Well No. 1H
API No. 30-045-35476

Non-Standard Location

Proposed Location:

Footages		Unit	Sec.	Twsp	Range	County
Surface	1341 FSL & 255 FEL	I	36	24N	10W	San Juan
Penetration Point	2180FSL & 660 FEL	I	36	24N	10W	San Juan
Terminus	2180 FSL & 330 FWL	L	36	24N	10W	San Juan

Proposed Project Area:

Description	Acres	Pool
NE/4 SE/4 of Section 36	40	Bisti, South Gallup (Oil) 5860
NW/4 SE/4 and N/2 SW/4 of Section 36	120	Basin Mancos 97232

Reference is made to your application received on April 14, 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, as to the portion of the wellbore in the Bisti, South Gallup (Oil), by the Special Rules for the Bisti, South Gallup (Oil), which provides for 80-acre units, with wells located at least 330 feet from a unit outer boundary. As to the portion of the wellbore in the Basin Mancos Gas Pool, 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 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 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 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>	<u>Std or NS</u>
NE/4 SE/4 of Section 36	40	Bisti, South Gallup (Oil)	5860	NS
NW/4 SE/4 and N/2 SW/4 of Section 36	120	Basin Mancos	97232	NS

A standard proration unit in the Bisti, South Gallup (Oil) consists of 80-acres. Your proposed non-standard proration unit consists of 40-acres.

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 one or more contiguous quarter-quarter sections located entirely within the same half section.

It is understood that you have given due notice of this application to all operators or owners to whom notice is required by 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.

Down-Hole Commingling

You have also requested permission to down-hole commingle production from the above-referenced pools within this wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 19.15.12.11(A) NMAC, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described.

Assignment of allowable and allocation of production from the well shall be as follows:

Nageezi Gallup Pool	Pct Gas: 25%	Pct Oil: 25%
Basin Mancos Gas Pool	Pct Gas: 75%	Pct Oil: 75%

It is our understanding that the above allocation percentages are based on the length of the completed interval of the wellbore in each pool

It is also understood that you have given due notice of this application, as defined in Division Rule 19.15.4.12A. (6) NMAC, to all owners of interest when ownership is not common for the commingled zones within the spacing unit.

The operator shall notify the Division's Aztec district office upon implementation of commingling operations.

Pursuant to Rule 19.15.12.11 (B) NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

General provisions

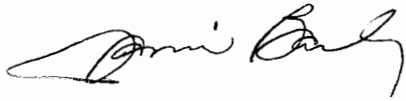
The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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

May 9, 2014

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Done at Santa Fe, New Mexico, on May 9, 2014.

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with the first name "Jami" and last name "Bailey" clearly distinguishable.

Jami Bailey

Director

JB/mam

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