

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**David Martin**  
Cabinet Secretary

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey, Division Director**  
Oil Conservation Division



May 22, 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-7087**  
**Administrative Application Reference No. pMAM1412630282**

**Administrative Order NSP-1985**  
**Administrative Application Reference No. pMAM1412630617**

**Encana Oil and Gas (USA) Inc.**  
**OGRID 282327**  
**Lybrook P28-2307 Well No. 1H**  
**API No. 30-043-pending**

**Non-Standard Location**

**Proposed Location:**

|                   | <u>Footages</u>    | <u>Unit</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|--------------------|-------------|-------------|-------------|--------------|---------------|
| Surface           | 1348 FSL & 43 FEL  | I           | 28          | 23N         | 7W           | Sandoval      |
| Penetration Point | 1775 FSL & 330 FEL | I           | 28          | 23N         | 7W           | Sandoval      |
| Terminus          | 1775 FSL & 330 FWL | L           | 28          | 23N         | 7W           | Sandoval      |

**Proposed Project Area:**

| <u>Description</u>    | <u>Acres</u> | <u>Pool</u>  | <u>Pool Code</u> |
|-----------------------|--------------|--------------|------------------|
| N/2 S/2 of Section 28 | 160          | Basin Mancos | 97232            |

Reference is made to your application received on May 2, 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 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 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> |
|-----------------------|--------------|--------------|-------------|------------------|
| S/2 N/2 of Section 28 | 160          | Basin Mancos | 97232       | NS               |

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 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.

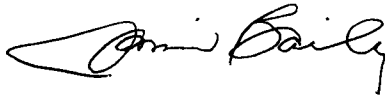
#### **General provisions**

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.

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

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DONE at Santa Fe, New Mexico, on May 22, 2014

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is written in a cursive style with a large, stylized initial "J".

Jami Bailey  
Director

JB/mam

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