

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 11, 2014

Legend Natural Gas III, Limited Partnership
Attn: Jennifer Elrod

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-7109
Administrative Application Reference No. pMAM1413956579

Legend Natural Gas III, Limited Partnership
OGRID 258894
Buckshot State Com Well No. 6H
API No. 30-015-42269

Non-Standard Location

Proposed Location:

| | <u>Footages</u> | <u>Unit</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|------------------------|-------------|-------------|-------------|--------------|---------------|
| Surface | 181 FSL & 1736 FWL | N | 31 | 24S | 28E | Eddy |
| Penetration Point | 441.1 FSL & 2489.1 FWL | N | 31 | 24S | 28E | Eddy |
| Terminus | 330 FNL & 2492 FWL | C | 31 | 24S | 28E | Eddy |

Proposed Project Area:

| <u>Description</u> | <u>Acres</u> | <u>Pool</u> | <u>Pool Code</u> |
|--------------------|--------------|--------------------------|------------------|
| E/2 W/2 Section 31 | 160 | Willow Lake; Bone Spring | 64450 |

Reference is made to your application received on May 19, 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 statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas. 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.

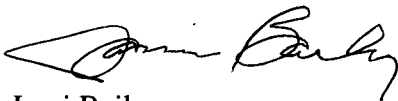
It is our understanding that you are seeking this location to recover additional oil and gas reserves underlying the middle two quarter sections of Section 31 that may otherwise not be recovered by other proposed wells, thereby preventing waste and will not violate correlative rights.

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.

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.

DONE at Santa Fe, New Mexico, on June 11, 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 – Artesia
New Mexico State Land Office – Oil, Gas, and Minerals