

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John Bemis
Cabinet Secretary

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

Jami Bailey
Division Director
Oil Conservation Division



December 31, 2012

Bill Barrett Corporation
c/o Permits West, Inc.
Attn: Mr. Brian Wood

ADMINISTRATIVE NON-STANDARD LOCATION AND
NONT-STANDARD PRORATION UNIT ORDER

Administrative Order NSL-6729
Administrative Application Reference No. pDKB1234251936

Administrative Order NSP-1958
Administrative Application Reference No. pDKB1234252349

Bill Barrett Corporation
OGRID 287508
Jicarilla 2505-4 Well No. 13H
API No. 30-039-31139

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	1212 FSL & 176 FWL	M	3	25N	5W	Rio Arriba
Penetration Point	2310 FSL & 700 FEL	I	4	25N	5W	Rio Arriba
Terminus	2310 FSL & 700 FWL	L	4	25N	5W	Rio Arriba

Approved Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
S/2 of Section 4	320	Tapacito; Gallup Associated Pool	58090

Reference is made to your application received on December 7, 2012.

Non-Standard Location

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 and Regulations for the Tapacito; Gallup Associated Pool, which provide for 80-acre units, with wells located at least 790 feet from any section or quarter-section boundary, and Rule

15.16.14.B(2) [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 less than 790 feet from outer boundaries of the project area which are also section lines.

A 320-acre project area is being approved for this well because the applicable Special Pool Rules provide for 80-acres units, each consisting of two adjacent quarter-quarter sections, which may be configured either as stand-up (North-South) or lay-down (East-West) units. A project area may consist of two or more standard spacing units developed by the proposed well. In this case, the approved 320-acre project area comprising the S/2 of Section 4 consists of four standard 80-acre, stand-up spacing units.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for engineering reasons, in order to efficiently produce the reserves in this 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 Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.15.9 NMAC].

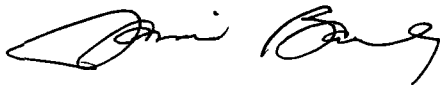
Non-Standard Proration Unit

You also requested to dedicate a non-standard, 640-acre, more or less, spacing and proration unit to this well. However, as this is expected to be an oil well, and the Division has determined that it will be in the Tapacito; Gallup Associated Pool, the standard spacing and proration unit is 80 acres. A 640-acre project area cannot be dedicated to the proposed well because the well will not penetrate, nor develop, the N/2 of Section 4.

Accordingly, your application for a non-standard, 640-acre proration unit is denied.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Jami Bailey', is written over a horizontal line.

Jami Bailey
Director

JB/db

December 31, 2012
Page 3

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