

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

David R. Catanach, Division Director
Oil Conservation Division



September 2, 2015

MCELVAIN ENERGY, INC.
Attn: Ms. Jordan Kessler

ADMINISTRATIVE NON-STANDARD LOCATION

Administrative Order NSL-7336
Administrative Application Reference No. pJAG1520129930

McElvain Energy, Inc.
OGRID 22044
EK 30 BS2 Federal Com. Well No. 1H
API No. 30-025-42701

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	175` FSL & 860` FEL	P	30	18S	34E	Lea
Penetration Point	330` FSL & 854` FEL	P	30	18S	34E	Lea
Final perforation (Terminus)	330` FNL & 652` FEL	A	30	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 30	160	E-K; Bone Spring	21650

Reference is made to your application received on August 13, 2015.

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 E-K; Bone Spring Pool, which provides for 80-acre units, with wells located within 150 feet of the center of a governmental quarter-quarter section. 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 are less than 510 feet to a directly offsetting tract and less than 783 feet diagonally to an offsetting tract.

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 because it will allow for efficient well spacing and reservoir drainage. Also, the W/2 of Section 29 along with this well is being developed by the applicant in the Bone Spring formation with North-South horizontal wells.

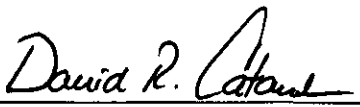
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 A (2) NMAC, in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 9.15.15.13 (B) NMAC, 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 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 September 2, 2015.


DAVID R. CATANACH
Director

DRC/mam

cc: New Mexico Oil Conservation Division – Hobbs
Bureau of Land Management - Carlsbad