District I (575) 393-6161 1625 N. French Dr., Hobbs, NM 88240 District II (575) 748-1283 811 S. First St., Artesia, NM 88210 District III (505) 334-6178 1000 Rio Brazos Road, Aztec, NM 87410 <u>District IV</u> (505) 827-8198 1220 S. St. Francis Dr., Santa Fe, NM 87505

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State of New Mexico Energy Minerals and Natural Resources

11

KC

Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505

NOV 1 3 2015

3- 2 ACT Permit No.

NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT

Operator WPX Energy Production, LLC	
Address 721 S. Main, Aztec, NM 87410	County San Juan
Lease(s) to be served by this ACT Unit <u>NMNM 018463 / NMNM</u>	109398
Pool(s) to be served by this ACT Unit Basin Mancos / Nageez	i Gallup
Location of ACT System: Unit <u>P</u> Section <u>04</u> Order No. authorizing commingling between leases if more than one	Township 23N Range 8W lease is to be served by this system.
<u>PLC-411</u>	Date 12/04/2014
Order No. authorizing commingling between pools if more than one	pool is to be served by this system
PLC-411	Date <u>12/04/2014</u>
Authorized transporter of oil from this system WPXSJB Gathering	ng, LLC
Transporter's address 3303 North 1st Street, Bloomfield, NM 874	13
If "B" above is checked, how much storage capacity is available above surge tank <u>500</u> BBLS.	Maximum well-head shut-in pressure
What is the normal maximum unattended time of lease operation?	Sixteen (16) Hours.
What device will be used for measuring oil in this ACT unit? CHECK ONE: Positive displacement meter	Weir-type measuring vessel
Positive volume metering chamber	Other; describe <u>Coriolis Meter</u>
Remarks:This LACT will be selling to pipeline	
OPERATOR: I hereby certify above information is true and complete to best of my knowledge and subject ACT system will be installed and operated in accordance with Rule 19.15.18.15 NMAC. Approval of this Form C-106 does not eliminate necessity of an approved C-104 prior to running any oil or ges from this system. Signature Printed Name & Title_Russell Knight, Operations Superintendant E-mail Address russell.knight@wpxenergy.com Date Telephone (505) 333-1842	OIL CONSERVATION DIVISION Approved by: DL & GAS INSPECTOR Title: DISTRICT #3 Date: 11/19/15
Instructions: Submit one copy of Form C-106 with following attachr	nonte to enprenzieta distriat effice
INSTRUCTIONS: Submit one copy of Form C-106 with following attacht	nents to appropriate district office.

2) Schematic diagram of battery and ACT equipment showing all major components and means employed to prove accuracy of measuring device.

3) Letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT CHACO 2308-04P #149H, #150H & #406H PIPELINE LACT UNIT

WELLS TO BE SERVED BY PIPELINE LACT UNIT:

- VCHACO 2308 -04P #149H / API #30-045-35495 / UNIT P (SE/SE) Sec. 04, T23N, R8W, NMPM
- CHACO 2308 -04P #150H / API #30-045-35497 / UNIT P (SE/SE) Sec. 04, T23N, R8W, NMPM
- /CHACO 2308 -04P #406H / API #30-045-35587 / UNIT P (SE/SE) Sec. 04, T23N, R8W, NMPM

19.15.18.15 AUTOMATIC CUSTODY TRANSFER EQUIPMENT:

A. Oil shall be received and measured in facilities of an approved design. The facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged, closed stock tanks for which the operator of the ACT system has prepared proper strapping tables, or of ACT equipment. The division shall permit ACT equipment's use only after the operator complies with the following. The operator shall file with the division form C-106 and receive approval for use of the ACT equipment prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until the division has approved form C-106.

• Summary is attached to Form C-106 Notice of Intent to Utilize Automatic Custody Transfer Equipment

B. The operator of the ACT system shall submit form C-106 to the appropriate division district office, which is accompanied by the following:

- (1) plat of the lease showing all wells that the any well operator will produce into the ACT system;
 - Attached as part of Form C-106 Notice of Intent

(2) schematic diagram of the ACT equipment, showing on the diagram all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, reroute valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves and metering devices (indicating type and capacity, *i.e.* whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel or positive displacement meter); the schematic diagram shall also show means employed to prove the measuring device's accuracy; and

- Attached as part of Form C-106 Notice of Intent
- (3) letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.
- Attached as part of Form C-106 Notice of Intent

C. The division shall not approve form C-106 unless the operator of the ACT system will install and operate the ACT system in compliance with the following requirements.

(1) Provision is made for accurate determination and recording of uncorrected volume and applicable temperature, or of temperature corrected volume. The system's overall accuracy shall equal or surpass manual methods.

> • The LACT system is more accurate when compared to a manual tank sale. It is proved per BLM Onshore Order #4 <u>Measurement of Oil</u> and API MPMS Chapter 4 <u>Proving Systems</u>; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The LACT also has a temperature RTD which will be calibrated semi-annually, unless more frequent verification is requested by the division.

(2) Provision is made for representative sampling of the oil transferred for determination of API gravity and BS&W content.

The LACT is equipped with a flow proportional sampler (sample probe and actuated valve). The sampled fluid is stored in a sealed cylinder that is used for API gravity and S&W determination.

(3) Provision is made if required by either the oil's producer or the transporter to give adequate assurance that the ACT system runs only merchantable oil.

• The LACT is equipped with a water cut analyzer that communicates with the flow computer. When the S&W set point is reached the divert valve will engage sending non-merchantable oil to a divert tank. The set point can be adjusted in the flow computer but only if agreed upon by both shipper and producer. (4) Provision is made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. Counters shall provide non-reset totalizers that are visible for inspection at all times.

• The Coriolis meter has non-resettable totalizer which is always visibly available on the LCD display.

(5) Necessary controls and equipment are enclosed and sealed, or otherwise arranged to provide assurance against, or evidence of, accidental or purposeful mismeasurement resulting from tampering.

• Required ports are sealed and tracked in the seal log.

(6) The ACT system's components are properly sized to ensure operation within the range of their established ratings. All system components that require periodic calibration or inspection for proof of continued accuracy are readily accessible; the frequency and methods of the calibration or inspection shall be as set forth in Paragraph (12) of Subsection C of 19.15.18.15 NMAC.

The Coriolis is proved per BLM Onshore Order #4 <u>Measurement of Oil</u> and API MPMS Chapter 4 <u>Proving Systems</u>; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The prover is NIST traceable and water drawn on a bi-annual basis. Proving will be consistent with Onshore Order #4, unless a variance is granted by the Division. NMOCD representatives are sent the schedule to witness if desired. The temperature transmitter is verified on a semi-annual basis, unless more frequent verification is requested by the Division. The water cut analyzer is calibrated as needed.

(7) The control and recording system includes adequate fail-safe features that provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts.

- In the event of power failure, the divert valve mechanically goes to "failed state" and no longer sales oil but only sends it to the divert tank.
- All of the historized volume data is stored in flow computer memory with battery backup and is
 also transmitted by SCADA, multiple times a day, to an office server. So even during a power
 failure no oil volume is lost.
- In the event of a malfunction, the LACT unit is programmed to shut off and divert valve is forced to close and no longer sales oil but only sends it to the divert tank. The malfunction is also logged by the flow computer.

(8) The ACT system and allied facilities include fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank that, in the event of power failure or malfunction of the ACT or other equipment, will shut down artificially lifted wells connected to the ACT system and will shut in flowing wells at the well-head or at the header manifold, in which latter case the operator of the ACT system shall pressure test all flowlines to at least 1½ times the maximum well-head shut-in pressure prior to the ACT system's initial use and every two years thereafter.

• Hi level switches are in place and will shut the well in at the inlet to the production unit in the event of a full tank. Flow lines were tested to 1 ½ times shut in pressure at initial construction. Testing will commence every two years to ensure piping integrity.

(9) As an alternative to the requirements of Paragraph (8) of Subsection C of 19.15.18.15 NMAC the producer shall provide and at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil that may be produced during maximum unattended time of lease operation.

• N/A

(10) In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage and improper action of floats, level detectors, etc.

• N/A – Coriolis Meter

(11) In ACT systems employing positive displacement meters, the meter and allied components shall be properly calibrated prior to initial use and shall be operated, maintained and inspected as necessary to ensure against oil mismeasurement.

• The Coriolis is proved per BLM Onshore Order #4 <u>Measurement of Oil</u> and API MPMS Chapter 4 <u>Proving Systems</u>; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The prover is NIST traceable and water drawn on a bi-annual basis. Monthly proving will continue per the rule, unless a variance is granted by the Division. NMOCD representatives are sent the schedule to witness if desired. The temperature transmitter is verified on a semiannual basis, unless more frequent verification is requested by the Division.

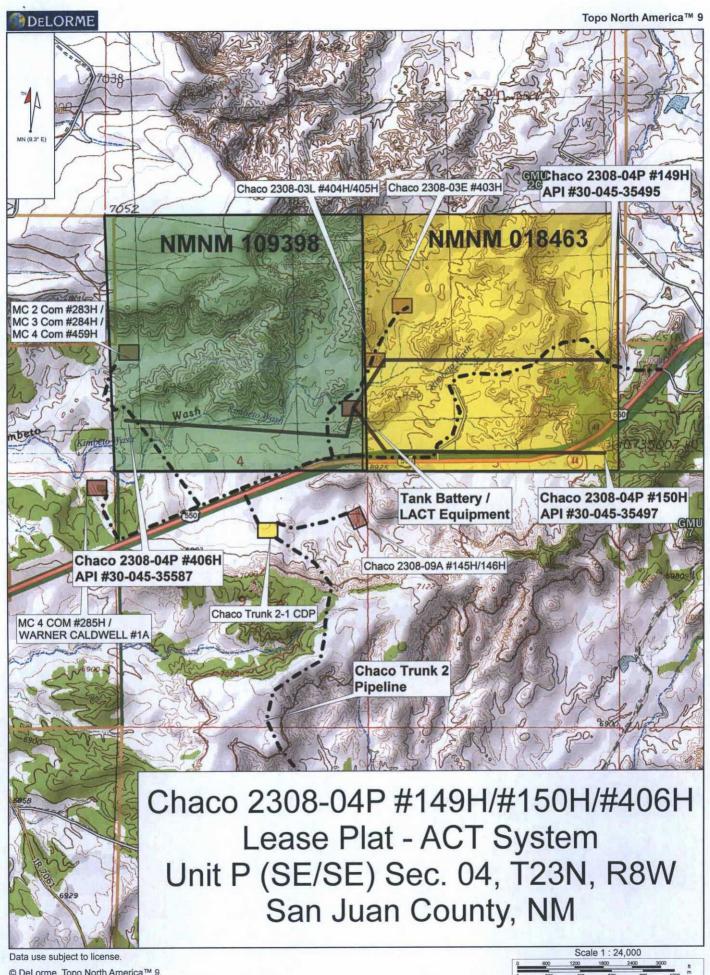
(12) The operator of the ACT system shall check the measuring and recording devices of ACT systems for accuracy at least once each month unless it has obtained an exception to such determination from the division. Where applicable, the operator of the ACT system shall use API standard 1101, Measurement of Petroleum Hydrocarbons by Positive Displacement Meter. Meters may be proved against master meters, portable prover tanks or prover tanks permanently installed on the lease. If the operator of the ACT system uses permanently installed prover tanks, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of 5/100 of one percent. The operator of the ACT system shall file reports of determination on the division form entitled "meter test report" or on another acceptable form in duplicate with the appropriate division district office.

The Coriolis is proved per BLM Onshore Order #4 <u>Measurement of Oil</u> and API MPMS Chapter 4 <u>Proving Systems</u>; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The prover is NIST traceable and water drawn on a bi-annual basis. Monthly proving will continue per the rule, unless a variance is granted by the Division. NMOCD representatives are sent the schedule to witness if desired. The temperature transmitter is verified on a semi-annual basis, unless more frequent verification is requested by the Division.

(13) To obtain an exception to the requirement in Paragraph (12) of Subsection C of 19.15.18.15 NMAC that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file a request with the director setting forth facts pertinent to the exception. The application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to the exception. The director may then set the frequency for determination of the system's accuracy at the interval which the director deems prudent.

• N/A

D. The division may revoke its approval of an ACT system's form C-106 if the system's operator fails to operate it in compliance with 19.15.18.15 NMAC.



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1" = 2,000.0 ft Data Z

Data Zoom 13-0

District I 1625 N. French Drive, Hobbs, NM 88240 Phone: (575) 393-6161 Fax: (575) 393-0720

District II 811 S. First Street, Artesia, NM 88210 Phone: (575) 748-1283 Fax: (575) 748-9720

District III 1000 Rio Brazos Road, Aztec, NM 87410 Phone: (505) 334-6178 Fax: (505) 334-6170

District IV 1220 S. St. Francis Drive, Santa Fe, NM 87505 Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Drive

Santa Fe, NM 87505

Form C-102 Revised August 1, 2011

Submit one copy to Appropriate District Office

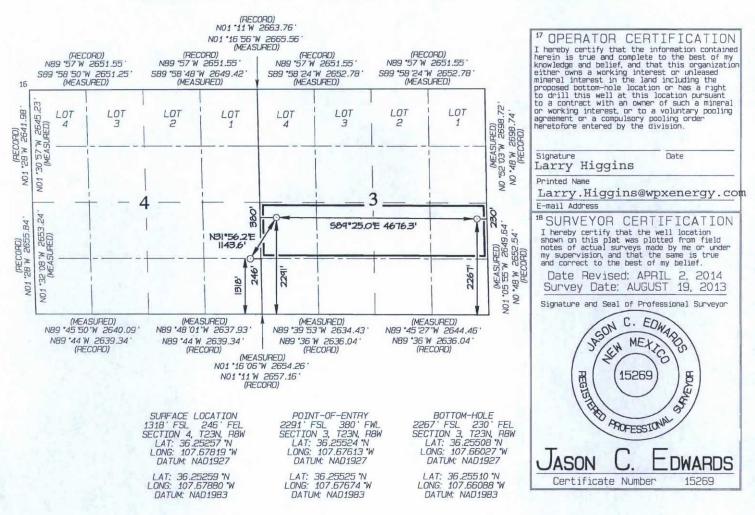
AMENDED REPORT

AS-DRILLED

'API Number *Pool Code				a Pool Name						
30-045-35495 47540					NAGEEZI GALLUP					
*Property 40275	Code				Propert CHACO 23	a market worked of	e M	[®] Well Number 149H		
'OGRID 12078	10981032								Elevation 6871'	
			1		¹⁰ Surface	Location				
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
Р	4	23N	BW		1318	SOUTH	246	EAST	SAN JUAN	
			¹¹ Botto	m Hole	Location 1	f Different	From Surfac	е		
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County	
I	З	NES	8W		2267	SOUTH	230	EAST	SAN JUAN	
² Dedicated Acres		160.0 S/2 -	Acres Section	3	¹³ Joint or Infill	³⁴ Consolidation Code	¹⁵ Order No.			

WELL LOCATION AND ACDEACE DEDICATION DIAT

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



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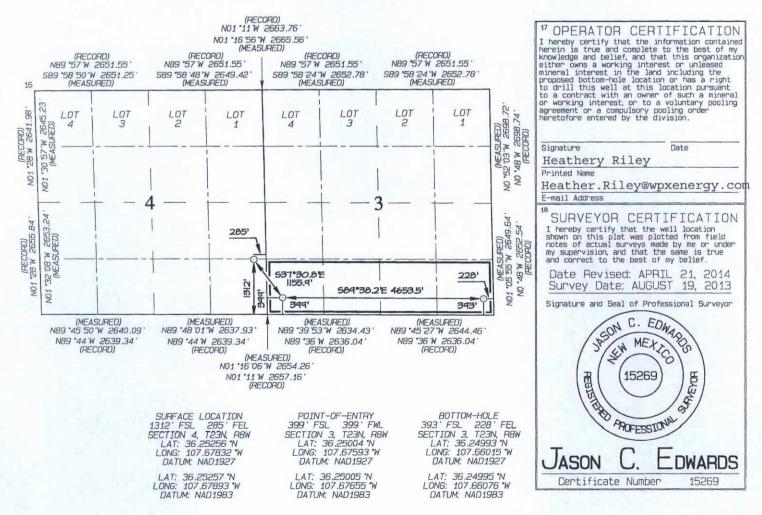
1

OIL CONSERVATION DIVISION 1220 South St. Francis Drive Santa Fe, NM 87505

AS DRILLED

			WELL LI	OCATI	DN AND	ACREA	GE DEDI	CATION PLA	AT		
⁴ API Number ² Pool Coo 30-045-35497 47540					0.0211	*Pool Name NAGEEZI GALLUP					
*Property 40275	Code					Property Name CHACO 2308-04P				[®] Well Number 150H	
'OGRID N 12078	12.000		"Operator Name WPX ENERGY PRODUCTION, LLC						"Elevation 6870'		
					¹⁰ Surfa	ce Loc	ation		1-1-1-		
UL or lot no.	Section	Township	Range			the M	North/South line	Feet from the	East/West line	County	
Р	4	23N	BW		1312		SOUTH	285	EAST	SAN JUAN	
			¹¹ Bottom	Hole	Location	ו If D	ifferent	From Surfac	ce		
UL or lot no.	Section	Township	Range	Lot Idn	Feet from 1	the M	North/South line	Feet from the	East/West line	County	
Р	З	23N	8W		393		SOUTH	228	EAST	SAN JUAN	
¹² Dedicated Acres	5/2	160.0 S/2 -	Acres Section	3	¹³ Joint or Inf	ill ¹⁴ Cor	nsolidation Code	¹⁵ Order No.			

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Form C-102 Revised August 1, 2011

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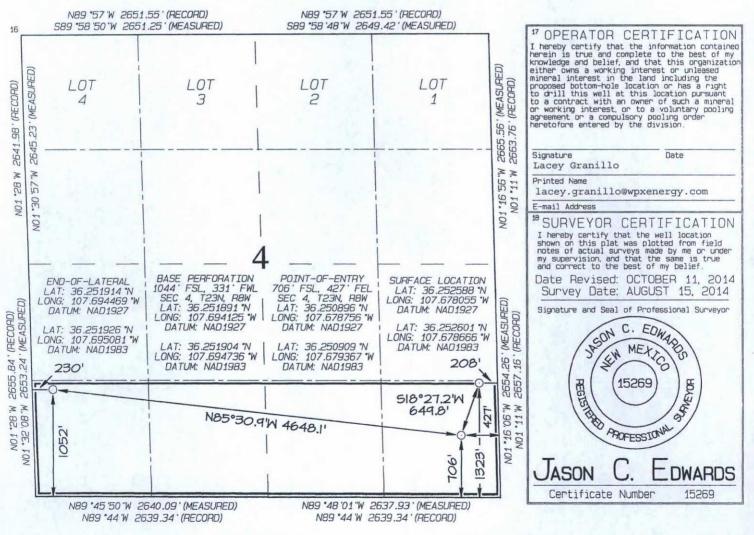
AMENDED REPORT

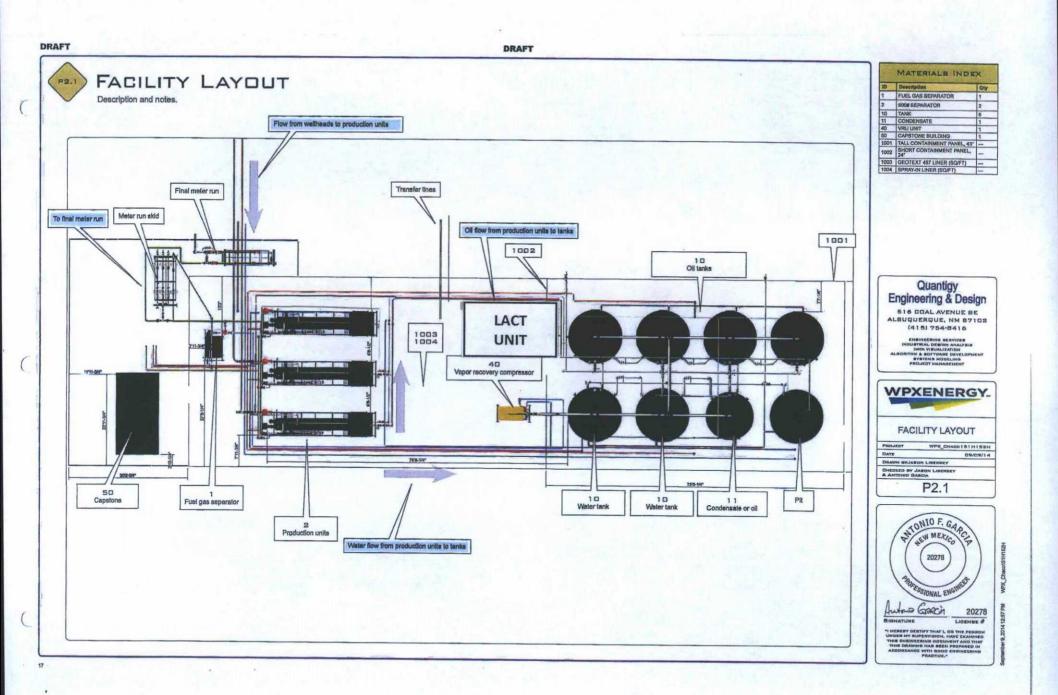
AS DRILLED

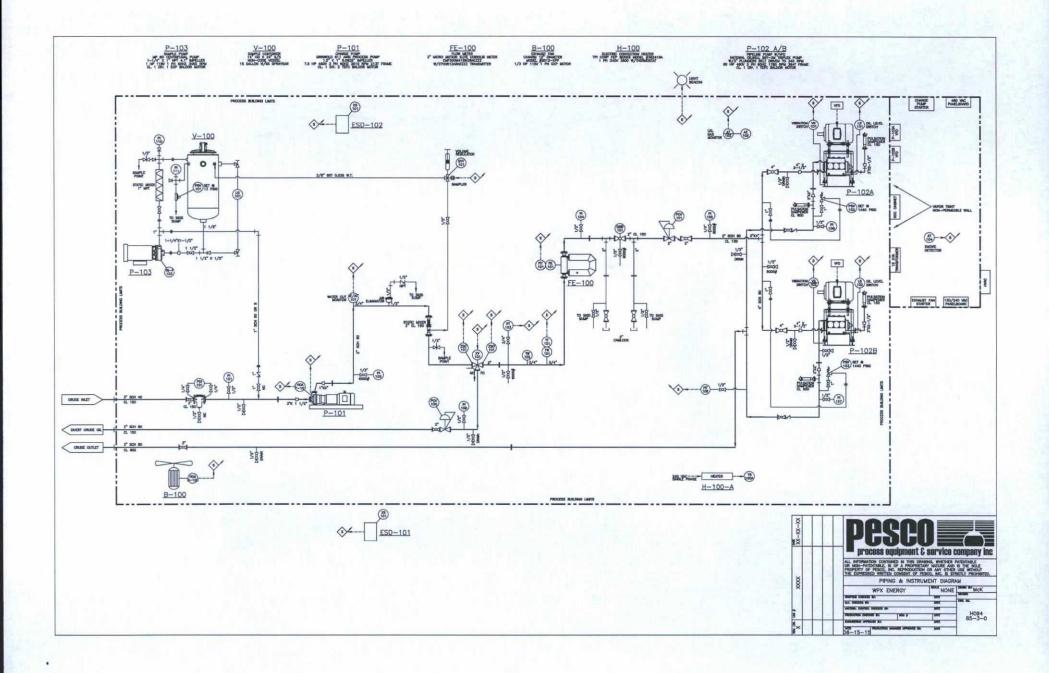
WELL LOCATION AND ACREAGE DEDICATION PLAT

30-045-3	PI Number 5587			*Pool Coo 97232		Pool Name BASIN MANCOS			
⁴ Property 40275	Code				Propert CHACO 23		6	[®] Well Number 406H	
'OGRID 12078			*Operator Name WPX ENERGY PRODUCTION, LLC						
					¹⁰ Surface	Location		e e	
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Ρ	4	23N	BW		1323	SOUTH	208	EAST	SAN JUAN
			¹¹ Botto	m Hole	Location 1	f Different	From Surfac	е	
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
М	4	23N	BW		1052	SOUTH	230	WEST	SAN JUAN
¹² Dedicated Acres		Acres	- 5/2	S/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.		

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Felix, Andrea
Chris Lopez
Riley, Heather; VanDenBerg, Randy; Knight, Russell; Jordan, Robert; Richardson, Jason; Lepich, Mark
WPX SJB Gathering: APPROVED Utilization of LACT Units project
Monday, October 26, 2015 10:32:03 AM
High

WPX SJB Gathering, LLC agrees with the plan of utilizing LACT units on our pipeline system as part of a pilot project with WPX Energy Production, LLC.

We have actively participated in the LACT unit pilot project with WPX Energy Production, LLC on the below listed wells and we are in agreement on using the LACT as the sales point for these facilities as long as, these LACTS will be proved monthly to comply with regulations.

- NE Chaco Com #166H/167H
- Chaco 2308-11A #407H/408H
- Chaco 2308-24H #153H/154H
- Chaco 2308-24I #155H/156H
- MC 2 Com #283H / MC 3 Com #284H / MC 4 Com #285H / MC 4 Com #459H
- Chaco 2307-17H #163H/275H
- Chaco 2308-09A #145H/146H
- Chaco 2308-16I #147H/148H
- Chaco 2308-14E #151H/152H
- Chaco 2308-03E #403H / Chaco 2308-03L #404H/405H
- Chaco 2308-04P #149H/150H/406H
- NW Lybrook UT #131H/237H/289H
- NW Lybrook UT 132H
- NW Lybrook UT #133H/134H

If you have any questions please feel free to contact me.

Thank you,

Andrea Felix, RWA

Regulatory Specialist Sr. WPX SJB Gathering, LLC Office: 505-333-1849 Cell: 505-386-8205 WPXENERGY.

From: Chris Lopez [mailto:chrislopez@eis-llc.com] Sent: Monday, October 19, 2015 4:09 PM