

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
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**David Martin**  
Cabinet Secretary

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

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



**STATE OF NEW MEXICO  
ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

ACO - 281

**IN THE MATTER OF WPX ENERGY PRODUCTION, LLC,**

**Respondent.**

**AGREED ORDER DIRECTING COMPLIANCE**

Pursuant to the New Mexico Oil and Gas Act, NMSA 1978, Sections 70-2-1 through 70-2-38, as amended ("Act"), and the regulations promulgated under the Act, the Director of the Oil Conservation Division of the Energy, Minerals & Natural Resources Department of the State of New Mexico ("OCD") issues this Order to WPX Energy Production, LLC, (hereinafter "WPX") directing compliance with the Act and OCD Rules.

**I. FINDINGS & DETERMINATIONS BY THE OCD**

- 1) The OCD is the state division charged with administration and enforcement of the Act and OCD Rules.
- 2) WPX is a Domestic Limited Liability Company, registered with the Secretary of State's WPX registration number 2152643. WPX is an exempt entity with a principal address and local business address listed as PO Box 640, Aztec, NM 87410. Its registered agent for service of process in New Mexico is Randy Vandenberg, District Operations Manager, P.O. Box 640, Aztec, NM 87410. WPX's OGRID is 120782.
- 3) WPX is the operator of record of the Chaco 2306-06L #239H well, API# 30-039-31204 UL L, Section 06, Township 23N, Range 06W, San Juan County, New Mexico.

- 4) The Bureau of Land Management approved the Application for Permit to Drill (APD) on December 6, 2013.
- 5) The OCD received the APD on December 9, 2013.
- 6) The OCD approved the APD on December 18, 2013.
- 7) On February 27, 2014, the OCD reviewed the C-104 and performed a well file review and determined WPX spud the well on December 11, 2013, which was seven (7) days prior to the OCD's approval of the APD.
- 8) On February 28, 2014, WPX was contacted and asked if they had received a verbal approval from the OCD to spud the well.
- 9) WPX confirmed that they had not received verbal approval to spud the well prior to the December 18, 2014 approval date.
- 10) **OCD Rule 19.15.7.11 UNITED STATES GOVERNMENT LEASES:** For wells located on land that the United States or a Native American nation, tribe or pueblo owns, an operator shall file applications for permit to drill, deepen or plug back, BLM form no. 3160-3; sundry notices and reports on wells, BLM form no. 3160-5; and well completion or recompletion report and log, BLM form no. 3160-4 with the BLM in lieu of filing the corresponding division forms with the division. All such forms are, however, subject to division approval in the same manner and to the same extent as the corresponding division forms. [19.15.7.11 NMAC - Rp, 19.15.1.14 NMAC, 12/1/08].
- 11) **19.15.14.8 PERMIT TO DRILL, DEEPEN OR PLUG BACK: A.** Permit required. An operator shall obtain an approved application for permit to drill from the division prior to commencing drilling, deepening or re-entry operations, commencing an additional lateral, plugging a well back to a different pool, or completing or recompleting a well in an additional pool.
- 12) **Violation #1:** WPX violated Rule NMAC 19.15.14.8.A. The violation occurred when WPX commenced drilling operations at the **Chaco 2306-06L #239H API 30-039-31204** 7 days prior to obtaining APD approval from the OCD.
- 13) **19.15.14.11 APPROVED FORM C-101 AT WELL SITE:** The operator shall keep a copy of the approved form C-101 at the well site during drilling operations. [19.15.14.11 NMAC - Rp, 19.15.3.102 NMAC, 12/1/08].
- 14) **Violation #2:** WPX violated Rule NMAC 19.15.14.11. The violation occurred because the OCD had not approved the WPX APD prior to the spud of the **Chaco 2306-06L #239H**. Therefore, WPX could not have had an approved APD

onsite. An OCD approved form 3160-3 would have been required to be onsite in lieu of form C-101 as previously referenced and required by rule 19.15.7.11.

- 15) As a result of its investigation, on March 24, 2014, the OCD issued Notice of Violation (03-14-02) to WPX.

## **II. STATEMENTS & ADDITIONAL INFORMATION PROVIDED BY THE OPERATOR, WPX**

WPX provided the following supplemental information and statements during an administrative conference held on April 9, 2014:

- 16) WPX has conducted an internal review of their permitting process for determining that all required approvals are in hand prior to commencing the drilling of a well.
- 17) WPX has developed a database for the purpose of tracking its well projects through the permitting process, which includes a BLM approved APD for federal wells and an OCD approved APD for state wells.
- 18) WPX's process will confirm that both BLM and OCD approvals have been received and approved prior to the drilling of a well.

## **III. CONCLUSIONS OF THE OCD**

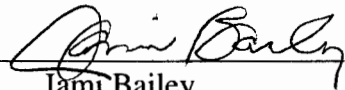
- 19) The OCD has jurisdiction over the parties and subject matter in this proceeding.
- 20) WPX is a person as defined by NMSA 1978, 70-2-33(A) that may be subject to civil penalties under NMSA 1978, 70-2-31(A).

## **IV. ORDER**

- 21) The OCD and WPX have agreed that penalties in this case are not warranted.
- 22) WPX acknowledges the authority of the OCD to render the above "Findings & Determinations," "Conclusions," and "Order."
- 23) WPX acknowledges that it is the responsibility of WPX, as the Operator of Record of the Chaco 2306-06L #239H well, to know and comply with Division Rules in the operation of its wells and related facilities, and that WPX is ultimately the entity responsible for any noncompliance with Division Rules associated with the site for which it is the Operator of Record.

24) Nothing in this Order relieves WPX of its responsibility for compliance with any other federal, state or local laws and/or regulations.

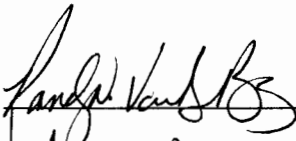
Done at Santa Fe, New Mexico this 28<sup>th</sup> day of April 2014.

By   
Jami Bailey.  
Director, Oil Conservation Division

**ACCEPTANCE**

**WPX ENERGY PRODUCTION, LLC**, (OGRID No. 120782), operator of record of the Chaco 2306-06L #239H well, API# 30-039-31204 UL L, Section 06, Township 23N, Range 06W, San Juan County, New Mexico, hereby accepts the foregoing Order, and agrees to all of the terms and provisions as set forth in the Order.

**WPX ENERGY PRODUCTION, LLC**,

By:   
Title: DISTRICT OPERATIONS MANAGER  
Date: 4/24/14