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November 13, 2012

**VIA HAND DELIVERY**

Jami Bailey  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14963*

**Re: Application of WPX Energy Production, LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Rio Arriba County, New Mexico – Lybrook 273-7-12 Well #101H**

Dear Ms. Bailey:

Enclosed please find the Application for Non-Standard Spacing and Proration Unit and Compulsory Pooling by WPX Energy Production, LLC, as well as a copy of the legal advertisement. Applicant requests that this matter be placed on the March 7, 2012 Examiner hearing docket.

Sincerely,

Adam G. Rankin  
ATTORNEYS FOR  
WPX ENERGY PRODUCTION, LLC

Holland & Hart<sup>LLP</sup>

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

**IN THE MATTER OF THE APPLICATION  
OF WPX ENERGY PRODUCTION LLC  
FOR A NON-STANDARD SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, RIO ARRIBA COUNTY, NEW MEXICO.**

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CASE NO. 14863

**APPLICATION**

WPX ENERGY PRODUCTION LLC (“WPX”) through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the N/2 N/2 of Section 11, Township 23 North, Range 7 West, NMPM, Rio Arriba, New Mexico; and (2) pooling all mineral interests in the Mancos formation, Lybrook Gallup Pool, underlying this acreage. In support of its application, COG states:

1. WPX (OGRID No. 120782) is a working interest owner in the N/2 N/2 of Section 11 and has the right to drill thereon.
2. WPX proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Lybrook 23-7-12 Well #101H, to be horizontally drilled from a surface location in the SE/4 SW/4 (Unit E) of Section 12, Township 23 North, Range 7 West, NMPM, to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 11. The entire completed interval for this well will be

within the 330-foot standard offset of the proposed non-standard proration and spacing unit in the N/2 N/2 of Section 11, as required by the rules.

3. WPX has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject proration and spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit WPX to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and WPX should be designated the operator of this proposed horizontal well and proration and spacing unit.

WHEREFORE, WPX requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 7, 2013, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Mancos formation, Lybrook Gallup Pool, comprised of the N/2 N/2 of Section 12, Township 23 North, Range 7 West, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating WPX operator of this non-standard spacing and proration unit and the horizontal well to be drilled thereon;
- D. Authorizing WPX to recover its costs of drilling, equipping and completing the well;

- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by WPX in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

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**ATTORNEYS FOR  
WPX ENERGY PRODUCTION LLC**

CASE 14963:

**Application of WPX Energy Production LLC for a non-standard spacing and proration unit and compulsory pooling, Rio Arriba County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard, 160-acre spacing and proration unit comprised of the N/2 N/2 of Section 11, Township 23 North, Range 7 West, NMPM, Rio Arriba County, and (2) pooling all mineral interests in the Mancos formation, Lybrook Gallup Pool, underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Lybrook 23-7-12 #101H well to be horizontally drilled from a surface location in the SW/4 NW/4 of Section 12 (Unit E), Township 23 North, Range 7 West, NMPM, to a standard bottom hole location in the NW/4 NW/4 (Unit D) of Section 11, Township 23 North, Range 7 West, NMPM. The entire completed interval for this well will be within the 330-foot standard offset in the N/2 N/2 of said Section 11, as required by the rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of WPX Energy Production LLC as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 12 miles east of Nageezi, New Mexico.