

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

APPLICATION OF WPX ENERGY FOR APPROVAL OF A 9,238 ACRE PROJECT AREA COMPRISED OF ACREAGE SUBJECT TO A COMMUNITIZATION AGREEMENT; FOR A "REFERENCE CASE" AUTHORIZING WITHIN THE PROPOSED PROJECT AREA THE DOWNHOLE COMMINGLING OF PRODUCTION FROM THE ESCRITO GALLUP ASSOCIATED POOL, COUNSELORS GALLUP DAKOTA OIL POOL AND LYBROOK GALLUP OIL POOL; AND FOR AN EXCEPTION TO WELL LOCATION REQUIREMENTS WITHIN THE PROPOSED PROJECT AREA, RIO ARRIBA AND SANDOVAL COUNTIES, NEW MEXICO.

CASE NO. 15120⁰²

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by WPX Energy Production, LLC, ("WPX") as required by the Oil Conservation Division.

APPEARANCES

APPLICANT

WPX Energy Production, LLC
One Williams Center
Tulsa, OK 74172

ATTORNEY

Michael H. Feldewert
Adam G. Rankin
Holland & Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
(505) 988-4421

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STATEMENT OF THE CASE

WPX seeks an order (1) approving a 9,238 acre project area from the top of the Mancos to the top of the Greenhorn comprised of acreage subject to a communitization agreement covering parts or all of Sections 5 through 8, 16 through 19 of Township 23 North, Range 6 West, and parts or all of Sections 1, 11 through 15 and 24 of Township 23 North, Range 7 West, NMPM, Rio Arriba and Sandoval Counties, New Mexico; (2) establishing a "reference case"

authorizing within the proposed project area the downhole commingling of production from the Escrito Gallup Associated Pool (22619), the Counselors Gallup Dakota Oil Pool (13379), and the Lybrook Gallup Oil Pool (42289); and (3) authorizing wells to be located anywhere within the proposed project area so long as the completed interval is no closer than 330 feet from the outer boundary of the proposed project area.

The Bureau of Land Management, the New Mexico State Land Office, and the working interest owners in the subject area have given preliminary approval to combine the acreage under a federal communitization agreement and a joint operating agreement. Division Rule 19.15.16.7.L recognizes state exploratory units and participating areas within federal units as approved "project areas" for purposes of efficient horizontal well development. However, this rule currently does not expressly recognize communitized areas as "project areas" for horizontal well development. Approval of the proposed communitized area as a single project area is consistent with the intent of a "project area" expressed in Rule 19.15.16.7.L(2) and will allow WPX to locate and efficiently orient its proposed horizontal wells for the maximum recovery of hydrocarbons.

WPX also seeks approval to downhole commingle within the proposed project area production from the Counselors Gallup Dakota Oil Pool (13379), the Escrito Gallup Associated Pool (22619), and the Lybrook Gallup Oil Pool (42289) since the proposed horizontal well development will intersect and commingle production from these pools. WPX has provided notice of this application to the interest owners within the proposed project area and will demonstrate at hearing that the conditions set forth in Subsection A of Rule 19.15.12.11 are met.

Finally, WPX further seeks approval for exceptions to the Special Rules and Regulations for the Counselors Gallup Dakota Oil Pool (adopted by Order R-7034 in 1982 and made

permanent by Order R-7034-B in 1986) and the General Rules and Regulations Governing all Associated Pools, including the Escrito Gallup Associated Pool (adopted by Order R-5353 in 1977). The Special Rules for the Counselors Gallup Dakota Oil Pool currently require wells to be located no closer than 660 feet from the outer boundary of the spacing unit, no closer than 330 feet from the quarter-quarter section line, and no closer than 1320 feet to another well producing from the same formation. The Special Rules for the Escrito Gallup Associated Pool currently requires oil wells to be located no closer than 790 feet from the quarter section line or 330 feet from the quarter-quarter section line. In contrast, wells drilled in the Lybrook Gallup Oil Pool may be located 330 feet from the outer boundary of the spacing unit pursuant to Statewide Rules. In order to bring conformity to the setback requirements within the proposed project area, and to allow for the most efficient horizontal development pattern, WPX seeks an order allowing for wells to be located anywhere within the proposed project area so long as the completed interval remains at least 330 feet from the outer boundary of the proposed project area.

APPLICANT'S PROPOSED EVIDENCE

WITNESS Name and Expertise	ESTIMATED TIME	EXHIBITS
Ken McQueen, Petroleum Engineer and Director of the San Juan Region	Approx. 20 minutes	Approx. 5
Brennan West, Landman	Approx. 10 minutes	Approx. 3
Amy Richardson, Geologist	Approx. 10 minutes	Approx. 4

PROCEDURAL MATTERS

None.

Respectfully submitted,

HOLLAND & HART, LLP



Michael H. Feldewert

Adam G. Rankin

Post Office Box 2208

Santa Fe, New Mexico 87504-2208

(505) 988-4421

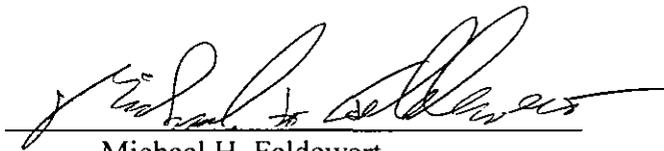
(505) 983-6043 Facsimile

ATTORNEYS FOR WPX ENERGY PRODUCTION, LLC

CERTIFICATE OF SERVICE

I hereby certify that on March 13, 2014, I served a copy of the foregoing document to the following via electronic mail to:

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com



Michael H. Feldewert

Adam G. Rankin