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

APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF A NON-STANDARD SPACING AND PRORATION UNIT IN THE BASIN MANCOS GAS POOL, CREATION OF A NON-STANDARD SPACING UNIT FOR COMPULSORY POOLING, APPROVAL OF AN UNORTHODOX WELL LOCATION, AND APPROVAL OF DOWNHOLE COMMINGLING, SAN JUAN AND RIO ARRIBA COUNTIES, NEW MEXICO.

CASE NO. 15386

APPLICATION

WPX ENERGY PRODUCTION, LLC, ("WPX") through its undersigned attorneys, hereby files this application with the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) approving a 120-acre non-standard spacing unit in the Basin Mancos Gas Pool; (2) pooling all mineral interests in the Mancos formation (Basin Mancos Gas Pool (97232) and Lybrook Gallup Pool (42289)) underlying a 240-acre non-standard spacing unit comprised of the S/2 S/2 of Section 12, Township 23 North, Range 8 West, San Juan County, and the S/2 SW/4 of Section 7, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico; (3) approving an unorthodox well location for the proposed well; and (4) approving WPX's request to downhole commingle production from the Basin Mancos Gas Pool (97232) and the Lybrook Gallup Pool (42289). In support of its application, WPX states:

1. WPX (OGRID No. 120782) is a working interest owner in the S/2 S/2 of Section 12 and the S/2 SW/4 of Section 7 and has the right to drill thereon.

2. WPX proposes to dedicate the S/2 S/2 of Section 12 and the S/2 SW/4 of Section 7 to its proposed **Chaco 2307-07N No. 410H Well**, which will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 7 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 12. The completed interval will commence 380 feet from the South line, 2113 feet from the West line (Unit N) to a location 1125 feet from the South line, 390 feet from the West line (Unit M).

3. The S/2 SW/4 and the SW/4 SE/4 of Section 12 are located in the Basin Mancos Gas Pool and governed by the Special Rules as adopted by Division Order R-12984. The Special Rules for the Basin Mancos Gas Pool require 320-acre spacing units and that the completed interval for a well to be no closer than 660 feet to the outer boundary of the spacing unit.

4. The SE/4 SE/4 of Section 12 and the S/2 SW/4 of Section 7 are located in the Lybrook Gallup Pool (42289), an oil pool that is not listed in paragraphs (3) and (4) of Order R-12984. The Lybrook Gallup Pool is subject to 40-acre spacing and 330 foot setbacks per Statewide Rule 19.15.15.9 NMAC.

5. As a result of the Basin Mancos Gas Pool spacing requirements, WPX requests approval of a 120-acre non-standard spacing unit in the Basin Mancos Gas Pool, comprised of the S/2 SW/4 and SW/4 SE/4 (Units M, N, O) of Section 12, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico.

6. The **Chaco 2307-07N 410H Well** will have dedicated to it a 240-acre non-standard spacing unit, comprised of a 120-acre non-standard spacing and proration unit in the Basin Mancos Gas Pool (Units M, N, O of Section 12) and three 40-acre standard spacing and proration units in the Lybrook Gallup Pool, (Units P, M, N) of Section 7.

WPX seeks to pool the mineral interest owners in the Mancos Formation (Basin Mancos Gas Pool (97232) and Lybrook Gallup Pool (42289)) underlying the proposed 240-acre non-standard spacing and proration unit.

7. 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 spacing unit.

8. The pooling of the interests in the S/2 S/2 of Section 12 and the S/2 SW/4 of Section 7 will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

9. 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 spacing unit should be pooled and WPX Energy Production, LLC should be designated the operator of this proposed horizontal well and spacing unit.

10. Due to the Basin Mancos Gas Pool setback requirements, the completed interval for this proposed well encroaches on the spacing and proration units to the North, Northwest, and West of Section 12. WPX requests approval of an unorthodox location to allow for an efficient well pattern in the non-standard spacing unit and to maximize the drainage of the reserves underlying this spacing unit.

11. WPX also seeks approval to downhole commingle production from the Basin Mancos Gas Pool (97232) with production from the Lybrook Gallup Pool (42289).

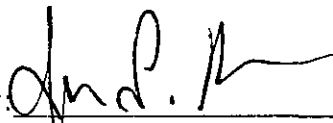
WHEREFORE, WPX Energy Production, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 1, 2015, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 120-acre non-standard spacing unit in the Basin Mancos Gas Pool, comprised of the S/2 SW/4 and SW/4 SE/4 of Section 12, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico;
- B. Creating a 240-acre non-standard spacing and proration unit comprised of the S/2 S/2 of Section 12, Township 23 North, Range 8 West, San Juan County, and the S/2 SW/4 of Section 7, Township 23 North, Range 7 West, Rio Arriba County, New Mexico, and pooling all mineral interests in the Mancos formation (Basin Mancos Gas Pool (97232) and Lybrook Gallup Pool (42289)) underlying said non-standard unit;
- C. Approving an unorthodox well location for the proposed well;
- D. Approving WPX's request to downhole commingle production from the Basin Mancos Gas Pool (97232) and the Lybrook Gallup Pool (42289);
- E. Designating WPX Energy Production, LLC operator of this standard spacing unit and the horizontal wells to be drilled thereon;
- F. Authorizing WPX Energy Production, LLC to recover its costs of drilling, equipping and completing the well;
- G. 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;

- H. Imposing a 200% penalty for the risk assumed by WPX Energy Production, LLC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well; and

Respectfully submitted,

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ATTORNEYS FOR WPX ENERGY PRODUCTION, LLC

CASE 15386

Application of WPX Energy Production, LLC for approval of a non-standard 120-acre spacing unit in the Basin Mancos Gas Pool, creation of a non-standard 240-acre spacing unit for compulsory pooling, approval of an unorthodox well location, and approval of WPX's request to downhole commingle production from the Basin Mancos Gas Pool (97232) and the Lybrook Gallup Pool (42289), Section 12, Township 23 North, Range 8 West, San Juan County, and Section 7, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. Applicant in the above-styled cause seeks an order (1) approving a 120-acre non-standard spacing and proration unit in the Basin Mancos Gas Pool, comprised of the S/2 SW/4 and SW/4 SE/4 of Section 12; (2) creating a 240-acre non-standard spacing unit comprised of the S/2 S/2 of Section 12 and the S/2 SW/4 of Section 7, and pooling all mineral interest owners in the Mancos formation underlying said spacing unit; (3) approving WPX's request to downhole commingle production from the Basin Mancos Gas Pool (97232) and the Lybrook Gallup Pool (42289); and (4) approving an unorthodox well location for the proposed **Chaco 2307-07N 410H Well**, which will be horizontally drilled from a surface location in the SE/4 SW/4 (Unit N) of Section 7 to a bottom hole location in the SW/4 SW/4 (Unit M) of Section 12. The completed interval will commence 380 feet from the South line, 2113 feet from the West line (Unit N) to a location 1125 feet from the South line, 390 feet from the West line (Unit M). 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 3.5 miles West of Lybrook, New Mexico.