

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15172
ORDER NO. R-13817-A**

**APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR
CREATION OF A NEW MANCOS OIL POOL FOR HORIZONTAL WELL
DEVELOPMENT WITHIN THE WPX PROJECT AREA AS DEFINED IN CASE
NO. 15102, ORDER NO. R-13817, IN SANDOVAL AND RIO ARRIBA
COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 4, 2014, at Santa Fe, New Mexico, before Examiner Scott Dawson.

NOW, on this 22nd day of September, 2014, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given as required by law, and the Division has jurisdiction of the subject matter of this case.

(2) The applicant, the New Mexico Oil Conservation Division ("OCD" or "Applicant"), seeks an order to create a new Mancos oil pool for horizontal well development within the WPX Energy Production ("WPX") Northeast Chaco Horizontal Well Project Area as defined in Case No. 15102, Division Order No. R-13817 for the following-described area in Rio Arriba and Sandoval Counties, New Mexico.

TOWNSHIP 23 NORTH, RANGE 6 WEST, NMPM

Section 5: Lots 1-4, S/2 N/2, S/2

Section 6: Lots 1-7, S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4

Section 7: Lots 1-4, E/2 W/2, E/2

Section 8: All

Section 16: S/2, NW/4

Section 17: Lots 1-7, NE/4 NE4, S/2
Section 18: Lots 1-4, E/2 W/2, E/2
Section 19: All

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM

Section 1: Lots 5-20
Section 11: Lots 1-2, S/2 NW/4, NE/4, S/2
Section 12: Lots 1-3, NW/4 SW/4, SE/4, N/2
Section 13: All
Section 14: All
Section 15: E/2, SW/4
Section 24: All

(3) The OCD provided an affidavit, marked and entered as Exhibit A, that reviewed Case No. 15102, Division Order No. R-13817, and provided the following information.

- (a) the approved 9,238-acre Project Area contains three Gallup pools; the Escrito- Gallup Associated Pool (pool code 22619), the Counselors-Gallup-Dakota Oil Pool (pool code 13379), and the Lybrook-Gallup Oil Pool (pool code 42289).
- (b) the three Gallup pools are laterally continuous across the entire project area and reservoir data indicates that reservoir pressures and fluids are consistent and compatible. The affidavit also stated the three pools are essentially one pool and have a common source of supply.
- (c) there are no fluid sensitivity issues, no loss of reserves due to cross flow, and the value of the total remaining reserves will not be reduced by combining the three pools into one horizontal oil pool.
- (d) the vertical limits of this pool should be from the base of the Point Lookout Sandstone to the base of the Greenhorn Member of the Mancos formation.
- (e) all existing and future vertical wells in the Mancos formation within the Project Area should remain dedicated and subject to the existing Gallup oil pools in the Project Area.
- (f) horizontal wells drilled within the Project Area should be drilled anywhere within the Project Area so long as no portion of the completed interval is closer than 330 feet to the outer boundary of the Project Area unless allowed by the Division pursuant to 19.15.15.13 NMAC.
- (g) to prevent waste and protect correlative rights, the new horizontal oil pool should be developed on 320-acre spacing units.

- (h) two non-standard 160-acre proration units in Section 16, Township 23 North, Range 6 West, NMPM, Rio Arriba County, New Mexico and in Section 15, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico should be allowed.
- (i) creation of this new Mancos oil pool for horizontal oil wells in the approved Project Area will enable more orderly development of this resource with less waste and continued protection of correlative rights.
- (j) creation of this new Mancos oil pool for horizontal wells in the approved Project Area should allow for regulatory ease in reporting production.
- (k) the new Mancos oil pool for horizontal well development should be named the Northeast Chaco Unit HZ Oil Pool.

(4) WPX provided exhibits marked and entered as Exhibits 1 and 2 containing Communitization Agreement (CA) Approval letters from the Bureau of Land Management (Exhibit 1- CA Approval Letter dated July 11th, 2014) and New Mexico State Land Office (Exhibit 2 - CA Approval Letter dated September 3rd, 2014).

IT IS THEREFORE ORDERED THAT:

(1) The creation of a new Mancos oil pool for horizontal oil well development solely within the WPX Northeast Chaco Horizontal Well Project Area as defined in Case No. 15102, Division Order No. R-13817, is hereby approved for the following-described area in Rio Arriba and Sandoval Counties, New Mexico.

TOWNSHIP 23 NORTH, RANGE 6 WEST, NMPM

Section 5: Lots 1-4, S/2 N/2, S/2
Section 6: Lots 1-7, S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4
Section 7: Lots 1-4, E/2 W/2, E/2
Section 8: All
Section 16: S/2, NW/4
Section 17: Lots 1-7, NE/4 NE/4, S/2
Section 18: Lots 1-4, E/2 W/2, E/2
Section 19: All

TOWNSHIP 23 NORTH, RANGE 7 WEST, NMPM

Section 1: Lots 5-20
Section 11: Lots 1-2, S/2 NW/4, NE/4, S/2
Section 12: Lots 1-3, NW/4 SW/4, SE/4, N/2
Section 13: All
Section 14: All
Section 15: E/2, SW/4
Section 24: All

(2) The vertical limits of this pool shall be from the base of the Point Lookout Sandstone to the base of the Greenhorn Member of the Mancos formation.

(3) The new Mancos oil pool for horizontal well development will be named the Northeast Chaco Unit HZ Oil Pool.

(4) Horizontal oil wells shall be located where no portion of the completed interval is closer than 330 feet to the outer boundary of the Project Area.

(5) The new pool shall be developed on 320-acre spacing and proration units to afford the owner(s) of each property in the pool the opportunity to produce their just and equitable share of the oil in the pool and to prevent reduced recovery which might result from the drilling of too few wells.

(6) Two non-standard 160-acre proration units in Section 16, Township 23 North, Range 6 West, NMPM, Rio Arriba County, New Mexico and in Section 15, Township 23 North, Range 7 West, NMPM, Rio Arriba County, New Mexico shall be granted.

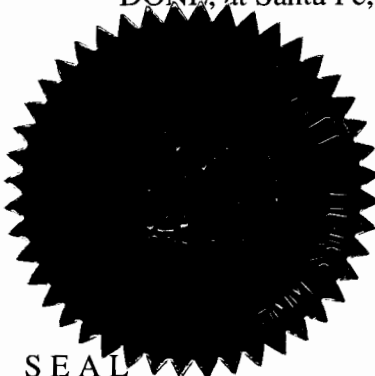
(7) If a new oil pool for Mancos horizontal oil well development is formed that encompasses this Northeast Chaco Unit area for horizontal oil well development, the Northeast Chaco Unit area for horizontal oil well development will be incorporated into that new oil pool and the operator of the Unit and Project Area shall be required to file the necessary forms with the Division to dedicate those wells to the new oil pool.

(8) All existing and future vertical wells in the Mancos formation within the Project Area shall remain dedicated and subject to the existing Gallup oil pools in the Project Area.

(9) This Order is binding on all current and future operators of the Project Area and its associated Communitization Agreement and horizontal oil pool.

(10) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE, at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in black ink, appearing to read "Jami Bailey".

JAMI BAILEY
Director