

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

**APPLICATION OF WPX ENERGY PERMIAN,  
LLC FOR APPROVAL OF AN 862.40-ACRE  
NON-STANDARD HORIZONTAL WELL  
SPACING UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.**

CASE NO. \_\_\_\_\_

**APPLICATION AND REQUEST FOR COMMISSION HEARING**

WPX Energy Permian, LLC (“WPX” or “Applicant”) (OGRID No. 246289) files this application for an order (a) approving, if needed, an 862.40-acre, more or less, non-standard horizontal well spacing unit in the Wolfcamp formation [Purple Sage; Wolfcamp (Gas) Pool (98220)] underlying all of Section 26 and the N/2 equivalent of irregular Section 35, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico, and (b) pooling all uncommitted mineral owners in this acreage.

Pursuant to 19.15.4.20(B) NMAC, Applicant further requests that the Division Director set this matter for hearing before the Oil Conservation Commission on October 13, 2022, to be heard in conjunction with Case 22506, which is set for hearing before the Commission on that date under Order R-22286. In support of this application, WPX states:

1. Applicant is a working interest owner in the proposed horizontal well spacing unit and has the right to drill thereon.
2. The N/2 equivalent of irregular Section 35 borders the Texas state line.
3. Applicant seeks to initially dedicate the above-referenced horizontal well spacing unit to the proposed **Steel Guitar 35-26-29 Fed Com #451H well**, to be horizontally drilled

from a surface hole location in the NE/4 NW/4 (Unit C) of Section 26 to a bottom hole location in the SW/4 NW/4 (Lot 9) of Section 35.

4. Under Case 22506, Applicant filed a pooling application for a standard horizontal well spacing unit comprised of the subject acreage and presented the matter to the Division in February of 2022. Under Order R-22286, issued on September 12, 2022, the Division referred Case 22506 to the Commission and placed the matter on the Commission's October 13, 2022, docket stating:

This matter involves the interpretation of Oil Conservation Commission ("Commission") regulations regarding horizontal well spacing units. The issue is whether rectangular tracts comprising a standard horizontal spacing unit must be oriented in the same direction as the well interval. The Director believes that this issue should be decided by the Commission.

5. Applicant is the designated operator under a Joint Operating Agreement covering the subject area and seeks approval of a horizontal well spacing unit to match a corresponding Communitization Agreement for the federal leases within the subject area.

6. Working interest, royalty and overriding royalty ownership is not uniform across the subject area.

7. Applicant seeks flexibility to commingle production from the subject area, and thereby minimize surface disturbance and lower surface faculty costs for future wells in the subject area.

8. Due to the nature and configuration of the federal leases in the subject area, the Bureau of Land Management ("BLM") may not allow the commingling of production from future wells across the subject area if the Commission requires the acreage to be developed using two stand-up horizontal well spacing units oriented in the same direction as the completed interval for the proposed initial well. *See, e.g.*, 43 CFR 3173.14 (addressing authorized commingling).

9. In addition, approval of this application will promote effective well spacing by allowing Applicant to locate future wells across the subject area without concerns about internal setback requirements.

10. To ensure the necessary flexibility to allow a reduction of surface disturbance, to consolidate surface facilities for the commingling of production, and to effectively locate future wells across the subject area, Applicant requires either approval of the standard horizontal well spacing unit sought under Case 22506 or approval of a non-standard horizontal well spacing unit proposed under this application.

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

12. The pooling of interests in the proposed spacing unit will avoid the drilling of unnecessary wells, will prevent waste, will protect correlative rights, and allow Applicant to obtain a just and fair share of the oil and gas underlying the subject land.

13. Approval of this application will further allow Applicant to lower operating costs; efficiently locate surface facilities; reduce surface disturbance; consolidate roads, tanks and pipelines; and promote effective well spacing.

14. Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

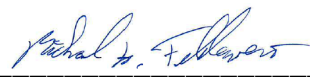
WHEREFORE, Applicant requests that this application be set for hearing before the Oil Conservation Commission on October 13, 2022, to be heard in conjunction with Case 22506, and, after notice and hearing as required by law, the Commission enter an order:

A. Approving, as needed, the proposed non-standard horizontal well spacing unit;

- B. Pooling all uncommitted interests in the Wolfcamp formation underlying the proposed horizontal spacing unit;
- C. Approving the initial well in the horizontal well spacing unit;
- D. Designating Applicant as the operator of the horizontal spacing unit and the well to be drilled thereon;
- E. Authorizing Applicant to recover its costs of drilling, equipping, and completing the well;
- F. 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
- G. Imposing a 200% charge for the risk assumed by Applicant in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR WPX ENERGY PERMIAN, LLC**

**Application of WPX Energy Permian, LLC For Approval of an 862.40-Acre Non-Standard Horizontal Well Spacing Unit and Compulsory Pooling, Eddy County, New Mexico.** Applicant in the above-styled cause seeks an order (a) approving, if needed, an 862.40-acre, more or less, non-standard horizontal well spacing unit in the Wolfcamp formation (Purple Sage; Wolfcamp (Gas) Pool (98220)) underlying all of Section 26 and the N/2 equivalent of irregular Section 35, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico, and (b) pooling all uncommitted mineral owners in this acreage. Applicant seeks to initially dedicate the above-referenced horizontal spacing unit to the proposed **Steel Guitar 35-26-29 Fed Com #451H well**, to be horizontally drilled from a surface hole location in the NE/4 NW/4 (Unit C) of Section 26 to a bottom hole location in the SW/4 NW/4 (Lot 9) of Section 35. The N/2 equivalent of irregular Section 35 borders the Texas state line. Also to be considered will be the cost of drilling and completing the well, the allocation of the costs thereof, the actual operating costs and charges for supervision, the designation of the Applicant as operator, and the imposition of a 200% charge for risk involved in drilling and completing the well. Said area is located approximately 17 miles south of Malaga, New Mexico.