

|                      |          |                 |                        |                    |                                            |
|----------------------|----------|-----------------|------------------------|--------------------|--------------------------------------------|
| 9/26/2014<br>DATE IN | SUSPENSE | MAM<br>ENGINEER | 9/29/2014<br>LOGGED IN | WSP<br>WSP<br>TYPE | PMAm142723897<br>PMAm1427230792<br>APP NO. |
|----------------------|----------|-----------------|------------------------|--------------------|--------------------------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

## NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



### ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

#### Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]

[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]

[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]

[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]

[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]

[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

#### [1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication

☒ NSL ☒ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify \_\_\_\_\_

#### [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ Offset Operators, Leaseholders or Surface Owner

[C] ☐ Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

#### [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Gabrielle A. Gerholt  
Print or Type Name

Gabrielle A. Gerholt  
Signature

Attorney  
Title

9/26/14  
Date

gagerholt@hollandhart.com  
e-mail Address



September 26, 2014

**VIA HAND DELIVERY**

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



**Re: Application of WPX Energy Production, LLC for administrative approval of a 160-acre non-standard spacing and proration unit in the Basin Mancos Gas Pool (97232) and authorization for an unorthodox well location for the Chaco 2308-03E 403H well, Section 4, Township 23 North, Range 8 West, San Juan County, New Mexico.**

Dear Ms. Bailey:

WPX Energy Production, LLC (OGRID 120782) plans to drill the **Chaco 2308-03E 403H Well** as a horizontal well in the N/2N/2 of Section 4, Township 23 North, Range 8 West, San Juan County, New Mexico from a surface location of 1906 feet from the North line and 817 feet from the West line (Unit E) of Section 3, Township 23 North, Range 8 West. The bottom hole location is 330 feet from the North line and 230 feet from the West line (Unit D) of Section 4, Township 23 North, Range 8 West.

The N/2N/2 of Section 4 is located in the Basin Mancos Gas Pool (97232) and subject to the Special Rules and Regulations created under Order R-12984. These Special Rules require 320-acre spacing units and 660 foot setbacks from the outer boundary of the spacing units. *Id.* at Rule 2. The completed interval for WPX's proposed well is closer than 660 feet from the East, North, Northwest, South, Southeast and West lines of the proposed non-standard spacing unit. Accordingly, the proposed well's location is non-standard under the Basin Mancos Special Pool Rules.

To efficiently develop this acreage and prevent waste under these circumstances, WPX requires approval of the following:

- (1) a non-standard 160-acre spacing and proration unit in the Basin Mancos Gas Pool comprised of the N/2N/2 of Section 4; and
- (2) a non-standard location in the Basin Mancos Gas Pool.



As further support for this application, WPX has provided the following exhibits with this letter:

**Exhibit A** is the Well Location and Acreage Dedication Plat (Form C-102), which shows the non-standard project area for the **Chaco 2308-03E 403H Well** encroachment on the spacing and proration units to the East, North, Northwest, South, Southeast and West.

**Exhibit B** is a land plat depicting the proposed **Chaco 2308-03E 403H Well** in relation to adjoining units and further identifies the owners in the affected leases. This exhibit reflects that the N/2N/2 of Section 4 is located within the Basin Mancos Gas Pool.

**Exhibit C** is a list of the affected parties for the request for approval of a non-standard spacing unit and an unorthodox well location in the Basin Mancos Gas Pool. A copy of this application with all attachments has been sent to the affected parties advising them that if they have an objection they must file it in writing with the Division within 20 days from the date the Division receives this application. WPX is the sole mineral lessee and operator of the Federal lease covering Section 4. Therefore, a courtesy copy of this application has been sent to the Bureau of Land Management.

Your attention to this application is appreciated

Sincerely,

Gabrielle A. Gerholt  
ATTORNEY FOR  
WPX ENERGY PRODUCTION LLC

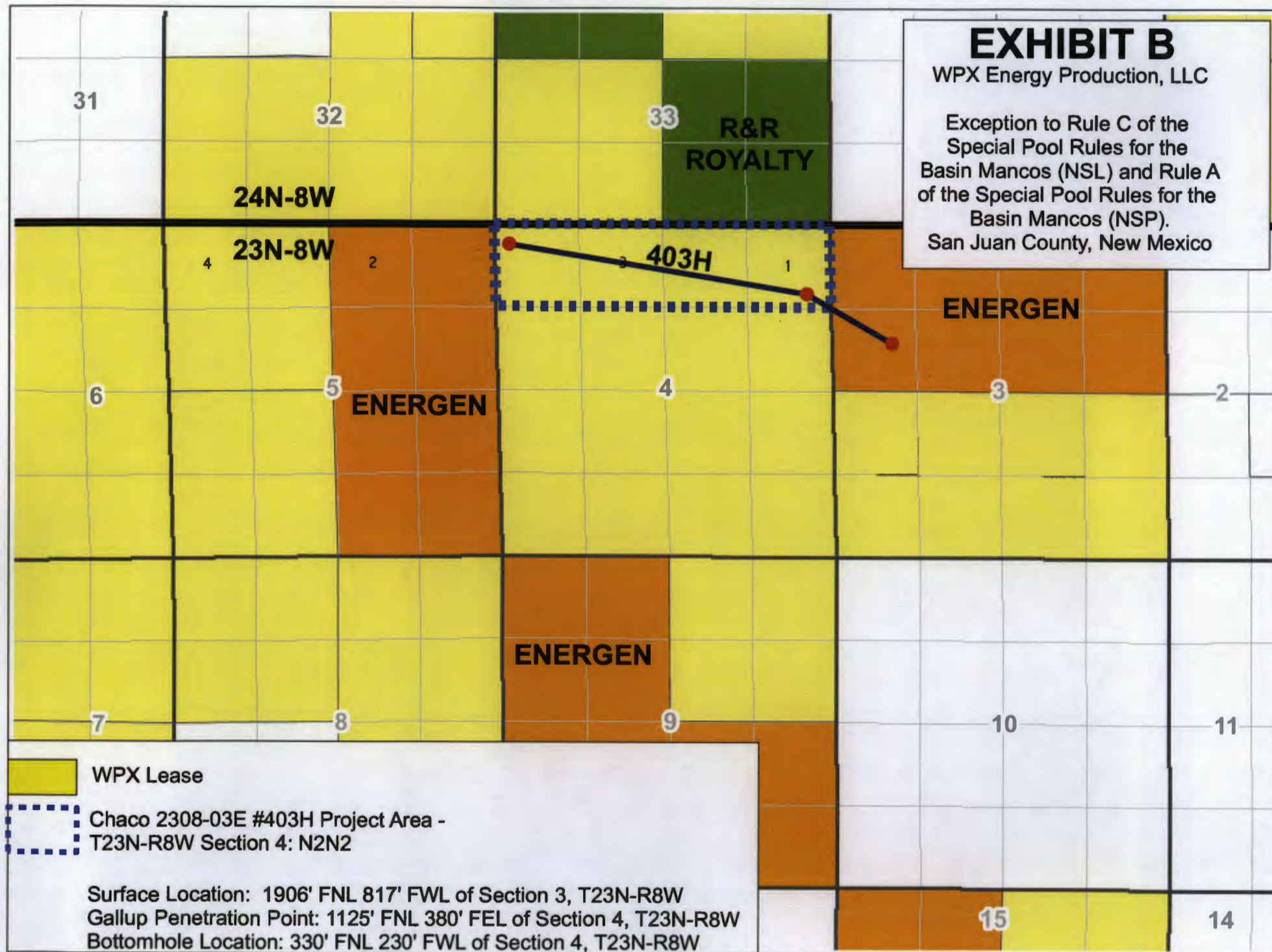
cc: Bureau of Land Management  
Farmington Field Office  
6251 College Blvd. Suite A  
Farmington, NM 87402

Certificate Number 15269

# EXHIBIT B

WPX Energy Production, LLC

Exception to Rule C of the  
Special Pool Rules for the  
Basin Mancos (NSL) and Rule A  
of the Special Pool Rules for the  
Basin Mancos (NSP).  
San Juan County, New Mexico



## Exhibit C

R&R Royalty  
500 N Shoreline, Suite 322  
Corpus Christi, TX 78401

Energen Resources Corporation  
2010 Afton Place  
Farmington, NM 87401

## McMillan, Michael, EMNRD

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**From:** Gabrielle Gerholt <GAGerholt@hollandhart.com>  
**Sent:** Monday, September 29, 2014 4:44 PM  
**To:** McMillan, Michael, EMNRD  
**Cc:** Riley, Heather (Heather.Riley@wpxenergy.com)  
**Subject:** RE: WPX Chaco 2308-04P #406H San Juan Co. NSL and NSP application

Dear Mike,

I should have been more clear in the application regarding the NSP and I apologize. WPX is seeking an NSP because Logos (the previous lessee and operator of this area) received NSPs for the Heros #2H, located in the S/2N/2 Section 4 and the Heros #3H located in the N/2S/2 of Section 4. Attached for your review are those approved NSLs.

Heros 2H:

[http://ocdimage.emnrd.state.nm.us/Imaging/FileStore/santafeadmin/ao/20140523/pmam1412159517\\_05\\_23\\_2014\\_1\\_20\\_04.pdf](http://ocdimage.emnrd.state.nm.us/Imaging/FileStore/santafeadmin/ao/20140523/pmam1412159517_05_23_2014_1_20_04.pdf)

Heros 3H:

[http://ocdimage.emnrd.state.nm.us/Imaging/FileStore/santafeadmin/ao/20140523/pmam1412160388\\_05\\_23\\_2014\\_1\\_05\\_08.pdf](http://ocdimage.emnrd.state.nm.us/Imaging/FileStore/santafeadmin/ao/20140523/pmam1412160388_05_23_2014_1_05_08.pdf)

I will have more information for you tomorrow.

### Gabrielle A Gerholt

Holland & Hart LLP  
110 North Guadalupe Suite 1  
Santa Fe, NM 87501  
Phone (505) 988-4421  
Fax (505) 983-6043  
E-mail: [gagerholt@hollandhart.com](mailto:gagerholt@hollandhart.com)



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**From:** McMillan, Michael, EMNRD [<mailto:Michael.McMillan@state.nm.us>]  
**Sent:** Monday, September 29, 2014 9:34 AM  
**To:** Gabrielle Gerholt  
**Subject:** WPX Chaco 2308-04P #406H San Juan Co. NSL and NSP application

Ms. Gerholt:

I have reviewed your NSL and NSP application. I have three questions:

**First, can you clarify why you applied for an NSP?** You stated that you applied for this to efficiently develop the reservoir. This would make sense for an NSL application since it is an oil reservoir. But not necessarily for an NSP application. Since the Basin Mancos is a 320-acre proration unit, why isn't WPX developing the S/2 of the section?

**Please clarify the footage calls** for the initial and final perforations. Is the final perforation the BHL location?

**Next, clarify that the surface location** is in Unit letter P, typically the Unit boundary is 1320 feet, and your surface location is 1323 FSL.

Thank You

## McMillan, Michael, EMNRD

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**From:** Gabrielle Gerholt <GAGerholt@hollandhart.com>  
**Sent:** Friday, October 03, 2014 3:15 PM  
**To:** McMillan, Michael, EMNRD  
**Subject:** FW: WPX 403H and 406H  
**Attachments:** Chaco 2308-03E #403H Revised C-102.pdf; Chaco 2308-04P #406H Revised C-102.pdf

Dear Mr. McMillan,

Attached are WPX's C-102 plats for these wells. The base perforation identified on each plat is the last perforation for each wellbore.

### Gabrielle A Gerholt

Holland & Hart LLP  
110 North Guadalupe Suite 1  
Santa Fe, NM 87501  
Phone (505) 988-4421  
Fax (505) 983-6043  
E-mail: [gagerholt@hollandhart.com](mailto:gagerholt@hollandhart.com)



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**From:** Riley, Heather [<mailto:Heather.Riley@wpxenergy.com>]  
**Sent:** Friday, October 03, 2014 10:39 AM  
**To:** Gabrielle Gerholt; West, Brennan  
**Cc:** McQueen, Ken; Granillo, Lacey; Higgins, Larry  
**Subject:**

Here are the updated plats showing the distances from section lines for the perforations as requested by OCD.

Heather Riley  
Regulatory Manager, San Juan Asset Team  
WPX Energy  
P. O. Box 640  
Aztec, NM 87410  
(970) 749-8747 (cell)  
(505) 333-1822 (office)  
[heather.riley@wpxenergy.com](mailto:heather.riley@wpxenergy.com)

State of New Mexico  
Energy, Minerals and Natural Resources Department

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**Susana Martinez**  
Governor

**David Martin**  
Cabinet Secretary

**Brett F. Woods, Ph.D.**  
Deputy Cabinet Secretary

**Jami Bailey, Division Director**  
Oil Conservation Division



May 21, 2014

LOGOS OPERATING, LLC  
c/o Montgomery & Andrews Law Firm, Attorneys  
Attn: Mr. Scott Hall

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

**Administrative Order NSL-7085**  
**Administrative Application Reference No. pMAM1412158364**

**Administrative Order NSP-1983**  
**Administrative Application Reference No. pMAM1412159517**

**Logos Operating, LLC**  
OGRID 289408  
**Heros Well No. 2H**  
**API No. 30-045-pending**

**Proposed Location:**

|                   | <u>Footages</u>    | <u>Unit</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|--------------------|-------------|-------------|-------------|--------------|---------------|
| Surface           | 2268 FSL & 70 FWL  | L           | 3           | 23N         | 8W           | San Juan      |
| Penetration Point | 2150 FNL & 330 FEL | H           | 4           | 23N         | 8W           | San Juan      |
| Terminus          | 2150 FNL & 250 FWL | E           | 4           | 23N         | 8W           | San Juan      |

**Proposed Project Area:**

| <u>Description</u>   | <u>Acres</u> | <u>Pool</u>  | <u>Pool Code</u> |
|----------------------|--------------|--------------|------------------|
| S/2 N/2 of Section 4 | 160          | Basin Mancos | 97232            |

Reference is made to your application received on May 1, 2014.

You have requested to drill this well at an unorthodox oil well location described above, in the referenced pool or formation. This location is governed by the Special Rules for the Basin Mancos Gas Pool, which provides for 320-acre units with wells to be located at least 660 feet

from outer unit boundaries, and Rule 19.15.16.14.B (2) NMAC concerning directional wells in designated project areas. This surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface locations outside project area. You have requested a 160-acre, non-standard proration unit, and a location less than 660 feet from the outer boundaries of that unit. This location is unorthodox because portions of the proposed completed interval are closer to outside boundaries of the proposed project area than any location that would be a standard location under the applicable pool rules.

Non-Standard Location:

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location for engineering reasons. The operator's experience has established that oil wells located in accordance with the setbacks for gas wells will not efficiently recover all the reserves in the unit. It is also consistent with the established development pattern for horizontal Mancos oil wells in the area.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.13.B NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit:

You have also requested approval of a 160-acre, more or less, non-standard proration unit comprising S/2 N/2 of Section 4.

It is our understanding that the non-standard proration unit is consistent with the established development pattern for horizontal Mancos oil wells in the area.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.11.B(2), the above-described non-standard proration unit is hereby approved.

These approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

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

May 21, 2014  
Page 3

DONE at Santa Fe, New Mexico, on May 21, 2014

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is stylized with a large, sweeping initial "J" and a cursive "Bailey".

Jami Bailey  
Director

JB/mam

cc: New Mexico Oil Conservation Division – Aztec  
Bureau of Land Management – Farmington