

3/23/2015 DATE IN	SUSPENSE	MAN ENGINEER	3/23/2015 LOGGED IN	NSP TYPE	PMAAM1508331309 APP NO
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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.

Jordan L. Kessler
Print or Type Name

Signature

Attorney

Title

jlkessler@hollandhart.com

e-mail Address

Date

3/23/15

- NSL 7279
- NSP 2028
- DHC 4766
- WFX Energy Production LLC
120782
WCH
- CHACO 2307 17H
275H

30-039-
31227

- Pool
- Basin MANCOS
97232
- 46000K G-114P
42289

Did you
read over
the
Mys - Standard
with Pools



March 23, 2015

VIA HAND DELIVERY

David Catanach
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Re: Application of WPX Energy Production, LLC for administrative approval of a 120-acre non-standard spacing unit and unorthodox well location in the Basin Mancos Gas Pool (97232); an unorthodox location in the Lybrook Gallup Oil Pool (42289), and approval of downhole commingling of the Lybrook Gallup Oil Pool and the Basin Mancos Gas Pool, Rio Arriba County, New Mexico.

Dear Mr. Catanach:

WPX Energy Production, LLC (OGRID 120782) has drilled the **Chaco 2307-17H 275H Well** as a horizontal well in the N/2 N/2 of Section 17, Township 23 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico. As reflected on the Well Location and Acreage Dedication Plat (Form C-102) enclosed as **Exhibit A**, this well was drilled from a surface location 1849 feet from the North line and 372 feet from the East line (Unit H) of Section 17. The completed interval begins at approximately 1306 feet from the North line and 411 feet from the East line (Unit A) and the last perforation is no closer than 402 feet from the North line and 332 feet from the West line (Unit A) of Section 17.

The NE/4 NE/4 (Unit A) of said Section 17 is located in the Lybrook Gallup Oil Pool (42289), an oil pool that is not listed in paragraphs (3) or (4) of Order R-12984. The Lybrook Gallup Oil Pool is subject to 40-acre spacing and 330 foot setbacks per Statewide Rule 19.15.15.9 NMAC. Accordingly, the portion of the completed interval of the Chaco 2307-17H 275H Well located in the Lybrook Gallup Oil Pool encroaches on the spacing units to the South and Southeast of Unit A.

The NW/4 NE/4 (Unit B) and N/2 NW/4 (Units C, D) are located within the Basin-Mancos Gas Pool (97232). The special rules for the Basin-Mancos Gas Pool require 320-acre spacing and that wells remains 660 feet from the outer boundary of the spacing unit. *See* Appendix A to Order R-12984 (special rules) at Rule 1 and 2. Accordingly, portions of the completed interval of the Chaco 2307-17H 275H Well in Basin Mancos Gas Pool encroach on the spacing units to the South, West, Northwest and North. In addition, the portion of the wellbore located in the Basin-Mancos Gas Pool has dedicated to it a non-standard 120-acre spacing unit comprised of Units B, C and D instead of the 320-acre spacing unit required by the special pool rules. This non-standard spacing unit is necessary to allow WPX to equitably allocate production between the two pools.



To efficiently develop this acreage and allow the for the optimum spacing of wells under these circumstances, WPX requires approval of the following:

- (1) Pursuant to NMAC 19.15.15.13(C), approval of an unorthodox location in the Lybrook Gallup Oil Pool and an unorthodox location in the Basin Mancos Gas Pool;
- (2) Pursuant to NMAC 19.15.15.11(B)(2), approval of a non-standard 120-acre spacing and proration unit in the Basin Mancos Gas Pool, comprised of the NW/4 NE/4 and N/2 SW/4 of Section 17 (Units B, C and D); and
- (3) Pursuant to NMAC 19.15.12.11.C(1), approval of the commingling of production from the Lybrook Gallup Oil Pool and the Basin-Mancos Gas Pool for wells completed within the N/2 N/2 of Section 17.

Exhibit B is a plat of Section 17 and the surrounding sections showing the location of the **Chaco 2307-17H 275H Well** in the N/2 N/2 of Section 17 and the ownership in the adjoining spacing units. WPX owns the interests in the spacing units within Section 17 and therefore there are no affected parties for the encroachment to the South. In addition, there are no affected parties for the request for a 120-acre non-standard spacing unit because WPX is the sole operator of the spacing unit to the South. Nonetheless, a copy of this application and all attachments has been sent to the BLM-Farmington office.

Exhibit C is a list of the affected parties for the encroachment to the Southeast, West, Northeast and the North. There are no overriding royalty interests in the N/2 N/2 of Section 17. A copy of this application with all attachments has been sent by certified mail to each of these 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.

Exhibit D is a copy of a completed form C-107-A (application for downhole commingling).

Your attention to this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Jordan L. Kessler".

Jordan L. Kessler
ATTORNEY FOR
WPX ENERGY PRODUCTION, LLC

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

District I
1625 N. French Drive, Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First Street, Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Road, Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Drive, Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to
Appropriate District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-039-31227		*Pool Code 97232 / 42289	*Pool Name BASIN MANCOS / LYBROOK GALLUP
*Property Code	*Property Name CHACO 2307-17H		*Well Number 275H
*GRID No. 120782	*Operator Name WPX ENERGY PRODUCTION, LLC		*Elevation 7257'

¹⁰ Surface Location

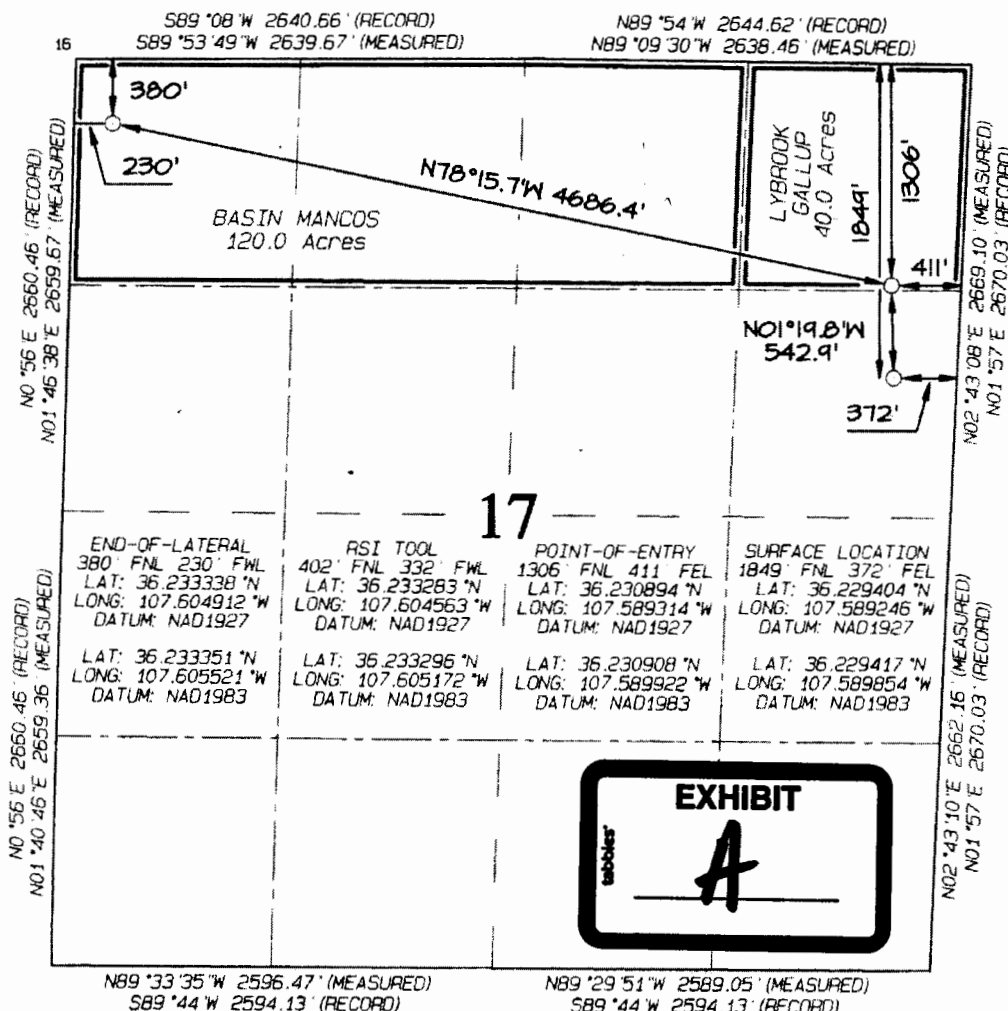
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	17	23N	7W		1849	NORTH	372	EAST	RIO ARriba

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	17	23N	7W		380	NORTH	230	WEST	RIO ARriba

¹² Dedicated Acres 160.0 Acres - (N/2 N/2)	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unless mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Signature _____ Date _____

Printed Name _____

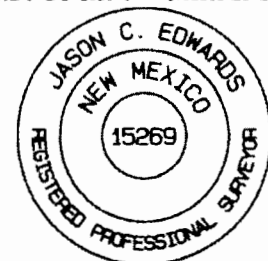
E-mail Address _____

¹⁸ SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date Revised: MARCH 19, 2015
Survey Date: JANUARY 30, 2014

Signature and Seal of Professional Surveyor



JASON C. EDWARDS

Certificate Number 15269

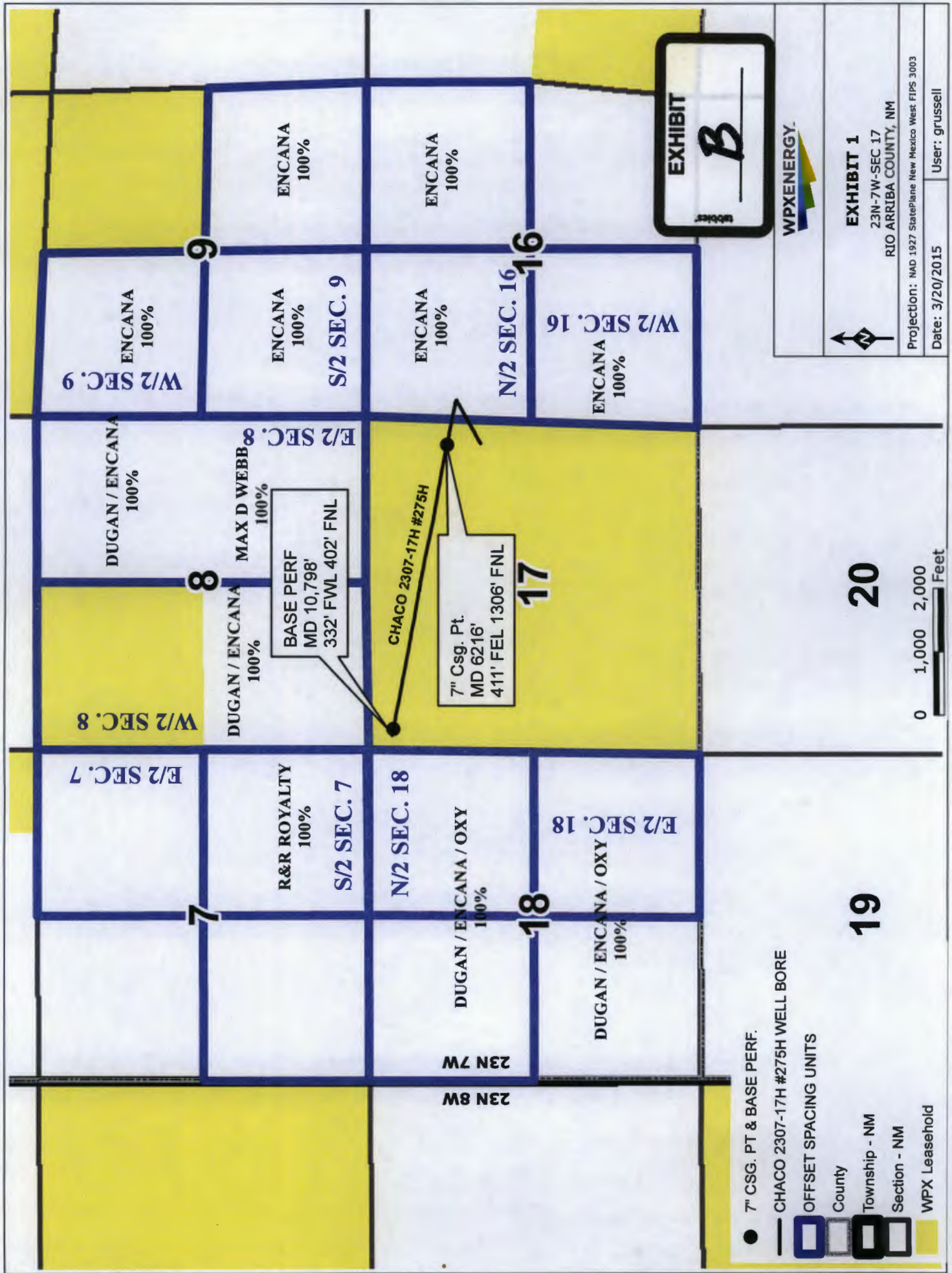


Exhibit C

Affected Parties

Encana Oil & Gas, Inc.
Attn: Land Department
370 17th Street
Suite 1700
Denver, Colorado 80202

Dugan Production Corporation
Attn: Land Department
Farmington, New Mexico 87499-0420

Susannah Russell
Land Negotiator
Occidental Oil & Gas Corporation
5 Greenway Plaza, Suite 110
Houston, Texas 77046

Max D. Webb
P.O. Box 190
Farmington, New Mexico 87499

District I
1635 N. French Drive, Hobbs, NM 88240

District II
811 S. First St., Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-107A
Revised August 1, 2011

APPLICATION TYPE
☒ Single Well
☐ Establish Pre-Approved Pools
EXISTING WELLBORE
☐ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Operator WPX ENERGY PRODUCTION, LLC Address P.O. BOX 640, AZTEC NM 87410
Lease CHACO 2307-17H Well No. #275H Unit Letter-Section-Township-Range H-17-23N-07W County RIO ARriba
OGRID No. 120782 Property Code 313186 API No. 30-039-31227 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	LYBROOK GALLUP		BASIN MANCOS
Pool Code	42289		97232
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	6,216' - 10,798'	<div>Note: This Commingle application is to commingle two pools in the same formation. This will be a horizontal well bore and the entire producing lateral will be 6,216' - 10,798' MD.</div>	6,216' - 10,798'
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	1635 psi		1635 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	40 degree API		40 degree API
Producing, Shut-In or New Zone	New Zone		New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: 3/15/2015 Rates: 200 BOPD - based on NE CHACO COM #238H	Date: Rates:	Date: 3/15/2015 Rates: 200 BOPD - based on NE CHACO COM #238H
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 20% 20%	Oil Gas % %	Oil Gas 80% 80%

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐
Will commingling decrease the value of production? Yes ☐ No ☒
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐
NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Heather Riley TITLE REGULATORY MANAGER DATE 3/23/2015
TYPE OR PRINT NAME HEATHER RILEY TELEPHONE NO. (505) 333-1822
E-MAIL ADDRESS heather.riley@wpxenergy.com



HOLLAND & HART LLP



Jordan L. Kessler

Associate

Phone (505) 988-4421

Fax (505) 983-6043

jlkessler@hollandhart.com

March 23, 2015

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: ALL AFFECTED PARTIES

Re: Application of WPX Energy Production, LLC for administrative approval of a 120-acre non-standard spacing unit and unorthodox well location in the Basin Mancos Gas Pool (97232); an unorthodox location in the Lybrook Gallup Oil Pool (42289), and approval of downhole commingling of the Lybrook Gallup Oil Pool and the Basin Mancos Gas Pool, Rio Arriba County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from this date at the Division's Santa Fe office located at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Brennan West
Landman
WPX Energy, Inc.
P.O. Box 3102 MD: 44
Tulsa, OK 74101-3102
(539)-573-2878 (Office)
Brennan.West@wpxenergy.com

Sincerely,

Jordan L. Kessler

ATTORNEY FOR
WPX ENERGY PRODUCTION, LLC

McMillan, Michael, EMNRD

From: Jordan L. Kessler <JLKessler@hollandhart.com>
Sent: Tuesday, March 24, 2015 9:12 AM
To: McMillan, Michael, EMNRD
Cc: Michael Feldewert
Subject: RE: WPX Chaco 2307 17H Well No. 175H API 30-039-31227 notification
Attachments: CHACO 2307-17H #275H_NSL_NOTIFICATION.PDF

Dear Mr. McMillan,

I have attached the notice map for the 275 well. We did notice the S/2 and E/2 of Section 7.

Thanks!
Jordan

From: McMillan, Michael, EMNRD [<mailto:Michael.McMillan@state.nm.us>]
Sent: Tuesday, March 24, 2015 8:50 AM
To: Jordan L. Kessler
Subject: WPX Chaco 2307 17H Well No. 175H API 30-039-31227 notification

Ms. Kessler:

Did you notify the S/2 and E/2 of Section 7 T23N 7W for the WPX Chaco 2307 17H Well No. 175H API 30-039-31227?
They are a diagonal offset, which is less than 933 feet.
Also, this well is NSL in the Lybrook, since the perforated interval is less than 330 feet from the unit boundary.

Thank You

Michael A. McMillan

Engineering and Geological Services Bureau, Oil Conservation Division
1220 South St. Francis Dr., Santa Fe NM 87505
O: 505.476.3448 F. 505.476.3462
Michael.mcmillan@state.nm.us



Germaine R. Chappelle
Attorney
Direct: (505) 989-7338
Email: germaine.chappelle@gknet.com

May 19, 2015

Sent via email

Dear Director Catanach, Ms. Davidson and Mr. McMillan:

Responsive to Mr. McMillan's email request for a signed document requesting withdrawal of protests by my clients OXY USA Inc and OXY Y-1, which request was originally made via email on May 13, I submit the following:

Please be advised that my client has settled its concerns regarding WPX Energy Production's Administrative Approval Applications for the following wells, for which my client timely filed protests on April 6, 2015:

- Chaco 2308-24I 153H, San Juan
- Chaco 2308-24I 154H, San Juan
- Chaco 2308-24I 155H, San Juan
- Chaco 2308-24I 156H, San Juan

Please be further advised that my client has settled its concerns regarding WPX Energy Production's Administrative Approval Applications pertaining to the following wells, for which my client timely filed protests on April 13, 2015:

- 2307-17H 163H, Rio Arriba
- 2307-17H 275H, Rio Arriba

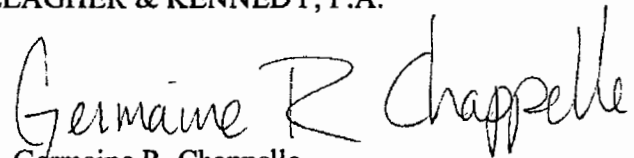
As a result, on behalf of my client I request that the protests filed by OXY USA Inc and OXY Y-1 be withdrawn.

Please let me know if you have any questions or if I may be of any assistance in closing this matter.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:


Germaine R. Chappelle

GRC