

9/26/2014 DATE IN	SUSPENSE	ENGINEER	9/29/2014 LOGGED IN	NSP NSL TYPE	PMAM1427230222 PMAM1427229864 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.

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 2308-04P 406H 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 2308-04P 406H Well** as a horizontal well in the S/2S/2 of Section 4, Township 23 North, Range 8 West, San Juan County, New Mexico from a surface location of 1323 feet from the South line and 208 feet from the East line (Unit P). The bottom hole location is 1063 feet from the South line and 230 feet from the West line (Unit M).

The S/2S/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, Northeast, North, Northwest 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 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 S/2S/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 2308-04P 406H Well** encroachment on the spacing and proration units to the East, Northeast, North, Northwest, and West.

Exhibit B is a land plat depicting the proposed **Chaco 2308-04P 406H Well** in relation to adjoining units and further identifies the owners in the affected leases. This exhibit reflects that the S/2S/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

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

"As Drilled"

API Number	Pool Code 97232	Pool Name BASIN MANCOS
Property Code	Property Name CHACO 2308-04P	Well Number 406H
GRID No. 120782	Operator Name WPX ENERGY PRODUCTION, LLC	Elevation 6876'

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
P	4	23N	8W		1323	SOUTH	208	EAST	SAN JUAN

11 Bottom Hole Location If Different From Surface

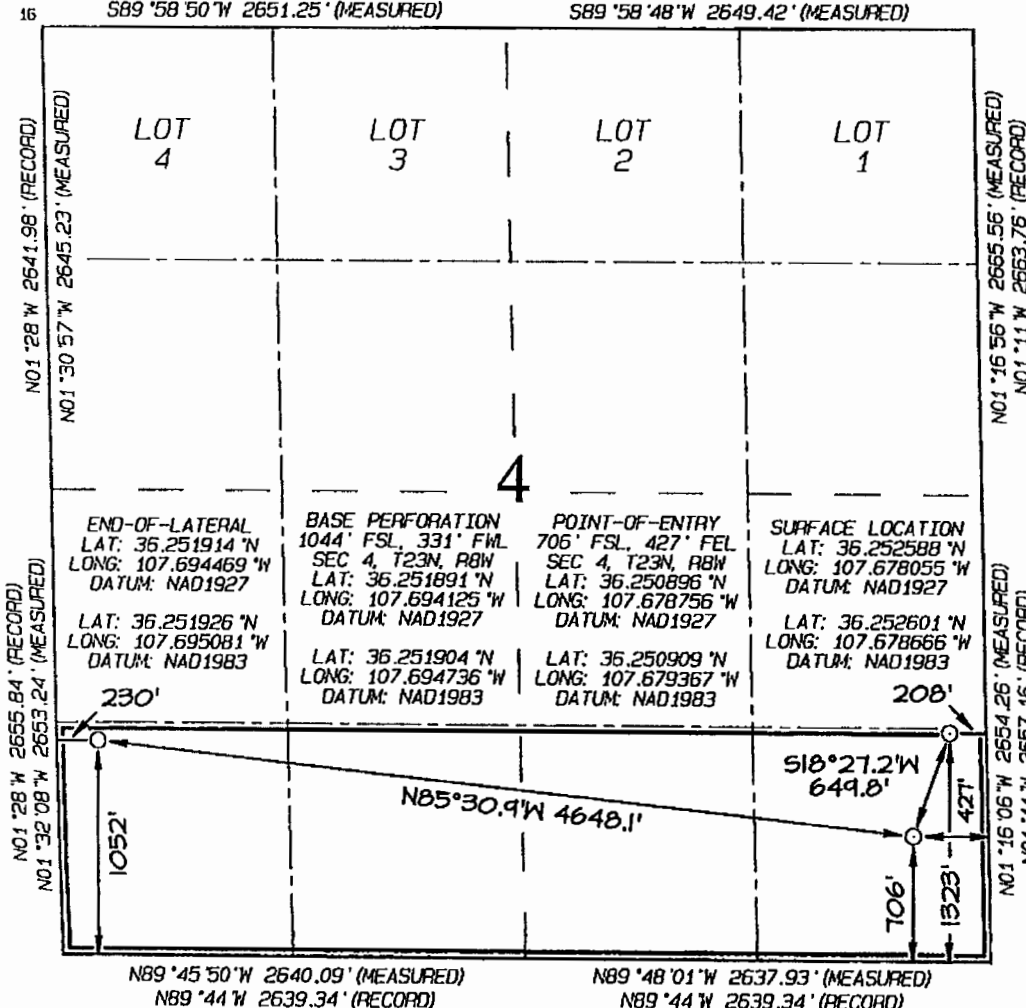
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	4	23N	8W		1052	SOUTH	230	WEST	SAN JUAN

Dedicated Acres 160.0 Acres - S/2 S/2	Joint or Infill	Consolidation Code	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

N89°57'W 2651.55' (RECORD)
S89°58'50"W 2651.25' (MEASURED)

N89°57'W 2651.55' (RECORD)
S89°58'48"W 2649.42' (MEASURED)



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 unleased 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: *Heather Riley* Date: 10/17/2014

Printed Name: *Heather Riley*

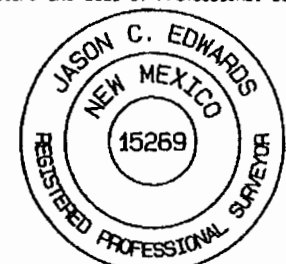
E-mail Address: *heather.riley@wpxenergy.com*

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: OCTOBER 11, 2014
Survey Date: AUGUST 15, 2014

Signature and Seal of Professional Surveyor



JASON C. EDWARDS

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

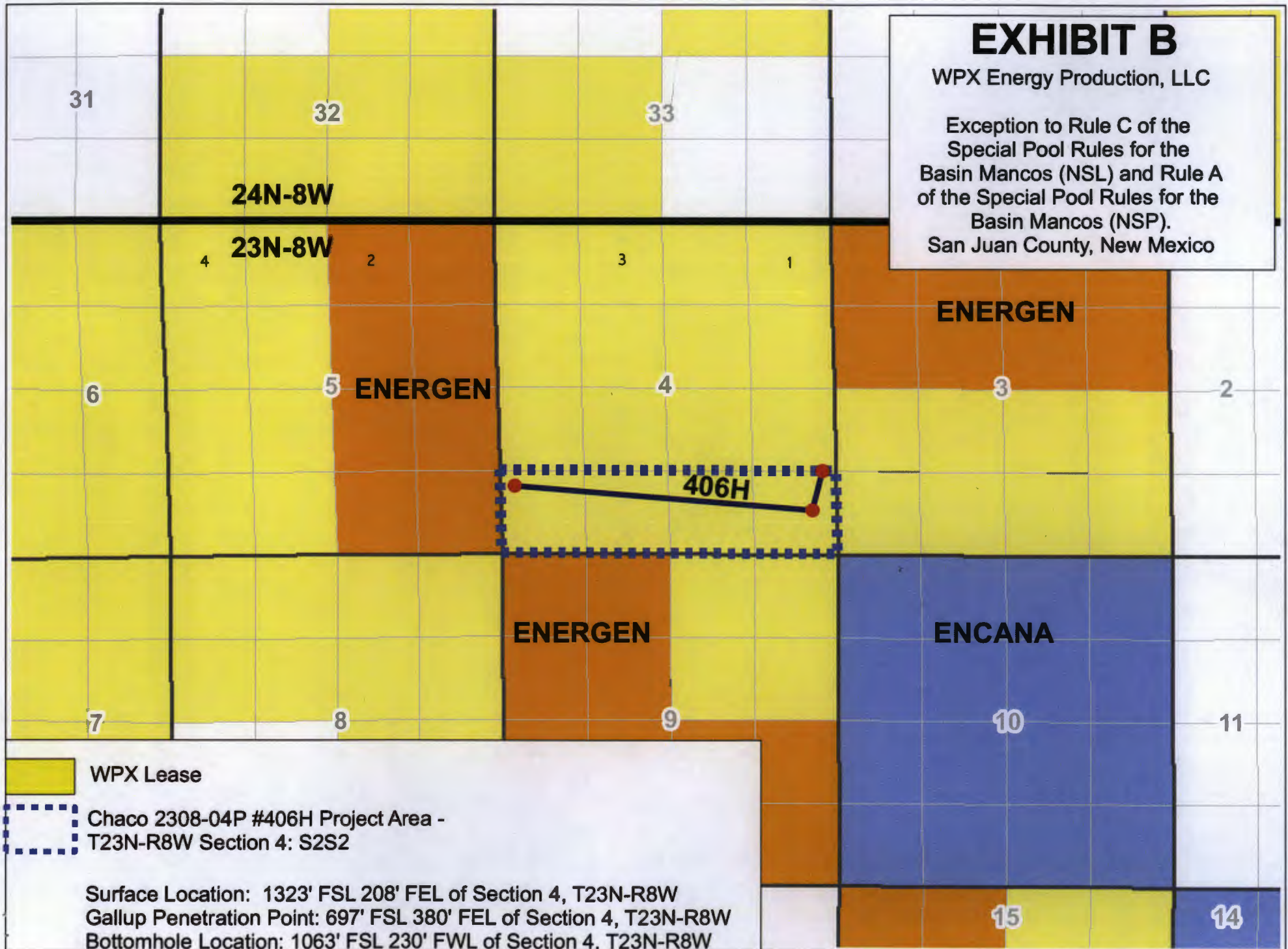


Exhibit C

Encana Oil & Gas (USA) Inc.
370 17th Street, Suite 1700
Denver, Colorado 80202

Energen Resources Corporation
2010 Afton Place
Farmington, NM 87401

McMillan, Michael, EMNRD

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_1_20_04.pdf

Heros 3H:

http://ocdimage.emnrd.state.nm.us/Imaging/FileStore/santafeadmin/ao/20140523/pmam1412160388_05_23_2014_1_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



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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

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



CONFIDENTIALITY NOTICE: This message is confidential and may be privileged. If you believe that this email has been sent to you in error, please reply to the sender that you received the message in error; then please delete this e-mail. Thank you.

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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-7084
Administrative Application Reference No. pMAM1412159990

Administrative Order NSP-1982
Administrative Application Reference No. pMAM1412160388

Logos Operating, LLC
OGRID 289408
Heros Well No. 3H
API No. 30-045-pending

Proposed Location:

	Footages	Unit	Sec.	Twsp	Range	County
Surface	2216 FSL & 74 FWL	L	3	23N	8W	San Juan
Penetration Point	2216 FSL & 330 FEL	I	4	23N	8W	San Juan
Terminus	2216 FSL & 330 FWL	L	4	23N	8W	San Juan

Proposed Project Area:

Description	Acres	Pool	Pool Code
N/2 S/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 40-acre, more or less, non-standard proration unit comprising N/2 S/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 fluid and cursive, with the first name "Jami" and last name "Bailey" clearly distinguishable.

Jami Bailey
Director

JB/mam

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