

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Tony Delfin
Acting Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



December 13, 2016

WPX Energy Production, LLC
Attn: Ms. Jordan Kessler

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-7491

WPX Energy Production, LLC
OGRID 120782
Chaco 2206 16A Well No. 221H
API No. 30-043-21148

Proposed Location:

| | <u>Footages</u> | <u>Unit</u> | <u>Sec.</u> | <u>Twsp</u> | <u>Range</u> | <u>County</u> |
|-------------------|---------------------|-------------|-------------|-------------|--------------|---------------|
| Surface | 738' FNL & 270' FEL | A | 16 | 22N | 6W | Sandoval |
| Penetration Point | 376' FNL & 64' FEL | A | 16 | 22N | 6W | Sandoval |
| Final Penetration | 363' FNL & 341' FWL | D | 16 | 22N | 6W | Sandoval |
| Terminus | 363' FNL & 291' FWL | D | 16 | 22N | 6W | Sandoval |

Proposed Project Area:

| <u>Description</u> | <u>Acres</u> | <u>Pool</u> | <u>Pool Code</u> |
|--------------------|--------------|----------------|------------------|
| N/2 N/2 Section 16 | 160 | Lybrook Gallup | 42289 |

Reference is made to your application received on November 23, 2016.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and Rule 19.15.16.14.B (2) NMAC concerning directional wells in designated project areas. 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.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC, 19.15.4.12.A(2) NMAC, and 19.15.4.12.A(9) NMAC.

It is our understanding that you are seeking this location because the operator is planning on completing an upper portion of the Mancos formation in the subject well which is non-standard.

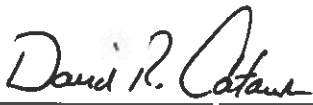
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 19.15.4.12 (A) 2 NMAC, in all adjoining units towards which the proposed location encroaches. However, the affected party had signed a waiver.

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

This approval is 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.

Done at Santa Fe, New Mexico, on December 13, 2016.



DAVID R. CATANACH
Director

DRC/mam

cc: New Mexico Oil Conservation Division – Aztec
New Mexico State Land Office – Oil, Gas, and Minerals

| | | | | | |
|-----------------------|----------|-----------------|-------------------------|-------------|---------------------------|
| DATE IN 11/23/2016 | SUSPENSE | ENGINEER MAM | LOGGED IN 11/23/2016 | TYPE NSL | APP NO. PLEL1633353140 |
|-----------------------|----------|-----------------|-------------------------|-------------|---------------------------|

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

11/23/16

NSL-7491
 WFX Energy Production
 LLL
 120782
 RECEIVED
 11/23/16 2:40
 2211
 CHA 220616A
 30-043-21148
 P011
 Lybbook
 GALUP
 42285

WPXENERGY.

**Brennan West
Landman**
Phone 539-573-2878
Brennan.west@wpxenergy.com

December 13, 2016

VIA EMAIL 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 an unorthodox well location in Lybrook Gallup Pool for its Chaco 2206-16A #221H well in the N2N2 of Section 16, Township 22 North, Range 6 West, N.M.P.M., Sandoval County, New Mexico.

Dear Mr. Catanach:

WPX Energy Production, LLC (OGRID 120782) seeks administrative approval of an unorthodox well location for its Chaco 2206 16A #221H (API 30-043-21148) well to be completed within the Lybrook Gallup Pool (Pool Code 42289). This well has been drilled from a surface location 738 from the North Line and 270 from the West line (Unit A) of Section 16, Township 22 North, Range 6 West with a bottom hole location 363 feet from the North line and 291 from the West line (Unit D) of Section 16, Township 22 North, Range 6 West. The first perforation of the recompletion will be located 376 from the North Line and 64 feet from the East line (Unit A) of Section 16, Township 22 North, Range 6 West and the last perforation will be 363 feet from the North Line and 341 feet from the West Line (Unit D) of Section 16, Township 22 North, Range 6 West. Since this acreage is governed by the Division's statewide rules which provides for wells to be located no closer than 330 feet to the outer boundary of the spacing unit, this well will be unorthodox because the completed interval will be closer than 330 feet to the East boundary of the project area.

Enclosed as **Exhibit A** is the Well Location and Acreage Dedication Plat (Form C-102), which shows that the completed interval of the proposed Chaco 2206-16A #221H well encroaches on the spacing and proration units to the East.

Enclosed as **Exhibit B** is a land map depicting the proposed Chaco 2206-16A #221H well in relation to adjoining spacing units which reflects that Encana Oil & Gas (USA) Inc. is the operator of the spacing unit to the East and is an affected party by the encroachment. A courtesy copy of this application with all attachments has been sent by certified mail to the Bureau of Land Management.

Your attention to this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to be 'B West', with a stylized flourish at the end.

Brennan West

LANDMAN

WPX ENERGY PRODUCTION, LLC

cc: Encana Oil & Gas (USA) Inc.
Attn: Mona Binion
370 17th Street, Suite 1700
Denver, CO 80202

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

District II
611 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) 334-8178 Fax: (505) 334-8170

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

OIL CONSERVATION DIVISION

1220 South St. Francis Drive
Santa Fe, NM 87505

Form C-102
Revised August 1, 2011

Submit one copy to
Appropriate District Office

☐ AMENDED REPORT

AS-DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-----------------|----------------------------|----------------|
| 'API Number' | 'Pool Code' | 'Pool Name' |
| 30-043-21148 | 42289 | LYBROOK GALLUP |
| 'Property Code' | 'Property Name' | 'Well Number' |
| 399089 | CHACO 2206-16A | 221H |
| 'GRID No.' | 'Operator Name' | 'Elevation' |
| 120782 | WPX ENERGY PRODUCTION, LLC | 7148' |

10 Surface Location

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|----------------|------------------|---------------|----------------|----------|
| LA or lot no. | Section | Township | Range | Lot 1st | Feet from line | North/South line | Feet from the | East/West line | County |
| A | 16 | 22N | 6W | | 738 | NORTH | 270 | EAST | SANDOVAL |

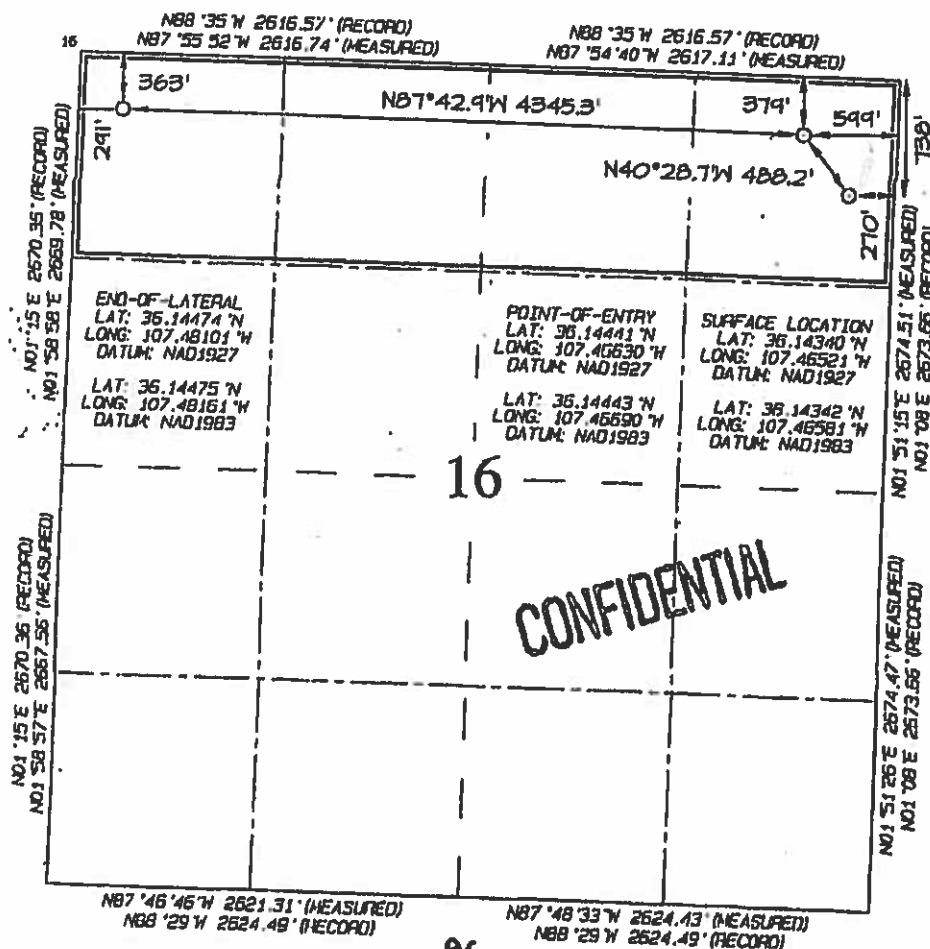
¹¹ Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|----------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| 1/4 or lot no. | Section | Township | Range | Lot No. | Feet from the | North/South line | Feet from the | East/West line | County |
| 0 | 16 | 22N | 5W | | 363 | NORTH | 291 | WEST | SANDOVAL |

| | | | |
|--|-------------------------------|----------------------------------|--|
| ¹² Dedicated Acres 150.0 Acres - (N/2 N/2) | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. RCVD SEP 12 '13 CIV. COM. DIV. |
|--|-------------------------------|----------------------------------|--|

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

DIST. 3



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 untested 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 9/11/13

Heather Riley

Printed Name: _____

heather.riley@wpenergy.com

E-mail Address _____

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: AUGUST 27, 2013

Date of Survey: JULY 31, 2013

Signature and Sex] of Professional Surveyor



JASON C. EDWARDS

Certificate Number 15289

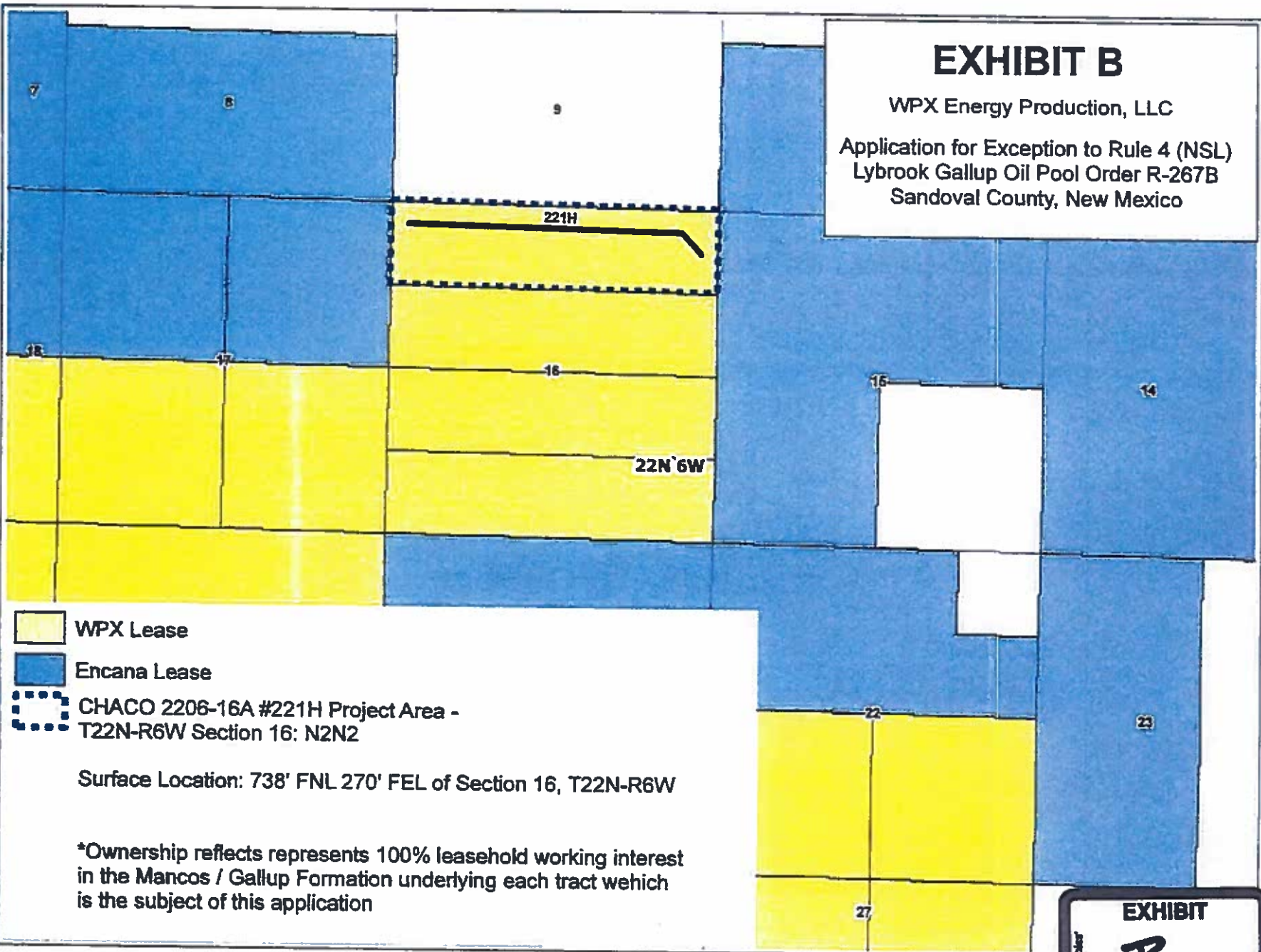
EXHIBIT

A

EXHIBIT B

WPX Energy Production, LLC

Application for Exception to Rule 4 (NSL)
Lybrook Gallup Oil Pool Order R-267B
Sandoval County, New Mexico



WPX Lease

Encana Lease

CHACO 2206-16A #221H Project Area -
T22N-R6W Section 16: N2N2

Surface Location: 738' FNL 270' FEL of Section 16, T22N-R6W

*Ownership reflects represents 100% leasehold working interest
in the Mancos / Gallup Formation underlying each tract which
is the subject of this application

EXHIBIT

B

McMillan, Michael, EMNRD

From: McMillan, Michael, EMNRD
Sent: Wednesday, December 7, 2016 3:28 PM
To: 'West, Brennan'; Lowe, Leonard, EMNRD
Cc: Jordan Kessler; Goetze, Phillip, EMNRD; Jones, William V, EMNRD; Brooks, David K, EMNRD
Subject: RE: Chaco #221H Non Standard Location

Brennan:

Based on the new information in this e-mail, which was not part of the original application, WPX shall be required to provide notice to Encana. WPX shall provide proof of notice and return receipts for affected parties. WPX will be expected to provide the first and last perforations in the application. Encana may also be provided the opportunity to waive their objection.

Similar scenarios in which operators are less than 100 feet from the boundaries of the project area have occurred in the Southeast, and the OCD required proof of notice and return receipts for the affected parties.

Thank You

MICHAEL A. MCMILLAN
Engineering Bureau, Oil Conservation Division
1220 south St. Francis Dr., Santa Fe NM 87505
O: 505.476.3448
Michael.McMillan@state.nm.us

-----Original Message-----

From: West, Brennan [mailto:Brennan.West@wpxenergy.com]
Sent: Wednesday, December 7, 2016 3:09 PM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>; Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us>
Cc: Jordan Kessler <JLKessler@hollandhart.com>
Subject: RE: Chaco #221H Non Standard Location

Mike,

After talking to Geology, the actual target perf will be in the curve at 56' FEL and 370' FNL.

Also, the last perf at the terminus of the lateral is 341' FWL.

Let me know if you need anything further.

Thanks,

Brennan West
Landman
O: 539-573-2878

McMillan, Michael, EMNRD

From: McMillan, Michael, EMNRD
Sent: Monday, December 12, 2016 10:07 AM
To: 'West, Brennan'
Cc: Jones, William V, EMNRD; Lowe, Leonard, EMNRD; Goetze, Phillip, EMNRD
Subject: RE: Chaco #221H Non Standard Location

Brennan:

Your letter does not comply with the OCD request.

The OCD required that the first and last perforation be included in the application to the affected party.

Your application only listed the first perforation.

The OCD will require that a new letter be sent to the affected parties that states the first perf, last perf, and the perforated interval is in the horizontal portion (if in fact the is the case).

Thank You

-----Original Message-----

From: West, Brennan [mailto:Brennan.West@wpenergy.com]
Sent: Monday, December 12, 2016 9:47 AM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Subject: RE: Chaco #221H Non Standard Location

Mike,

See attached correspondence to Encana that includes the revised application and waiver and we have been in discussions with them over the last couple days regarding this NSL. Some folks have been out so we haven't received the signed waiver but I expect to have it this afternoon and will submit it to the OCD. Let me know if there is anything additional that the OCD will require for approval as we are planning to move on the location this

Wednesday/Thursday....

Thanks,

Brennan West
Landman
O: 539-573-2878
C: 918-691-3111

-----Original Message-----

From: McMillan, Michael, EMNRD [mailto:Michael.McMillan@state.nm.us]
Sent: Monday, December 12, 2016 10:32 AM
To: West, Brennan <Brennan.West@wpenergy.com>; Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us>
Cc: Jordan Kessler <JLKessler@hollandhart.com>; Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>; Jones, William V, EMNRD <WilliamV.Jones@state.nm.us>; Brooks, David K, EMNRD <DavidK.Brooks@state.nm.us>
Subject: RE: Chaco #221H Non Standard Location

Brennan:

I need clarification on your reason for the NSL.

You stated that the well is planning on being perforated in the vertical portion of the well.

However, after reviewing the well file, the planned perforations are in the horizontal portion of the well.

If the well is in fact being perforated in the horizontal portion of the well, the OCD will require a revised reason for the NSL.

Also the affected parties will have to be notified that the new perforations are in the horizontal portion of the well (if this is the actual case).

Thank You

MICHAEL A. MCMILLAN
Engineering Bureau, Oil Conservation Division
1220 south St. Francis Dr., Santa Fe NM 87505
O: 505.476.3448
Michael.McMillan@state.nm.us

-----Original Message-----

From: McMillan, Michael, EMNRD
Sent: Wednesday, December 7, 2016 3:28 PM
To: 'West, Brennan' <Brennan.West@wpxenergy.com>; Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us>
Cc: Jordan Kessler <JLKessler@hollandhart.com>; Goetze, Phillip, EMNRD <Phillip.Goetze@state.nm.us>; Jones, William V, EMNRD <WilliamV.Jones@state.nm.us>; Brooks, David K, EMNRD <DavidK.Brooks@state.nm.us>
Subject: RE: Chaco #221H Non Standard Location

Brennan:

Based on the new information in this e-mail, which was not part of the original application, WPX shall be required renotice Encana. WPX shall provide proof of notice and return receipts for affected parties. WPX will be expected to provide the first and last perforations in the application. Encana may also be provided the opportunity to waive their objection.

Similar scenarios in which operators are less than 100 feet from the boundaries of the project area have occurred in the Southeast, and the OCD required proof of notice and return receipts for the affected parties.

Thank You

MICHAEL A. MCMILLAN
Engineering Bureau, Oil Conservation Division
1220 south St. Francis Dr., Santa Fe NM 87505
O: 505.476.3448
Michael.McMillan@state.nm.us

-----Original Message-----

From: West, Brennan [mailto:Brennan.West@wpxenergy.com]
Sent: Wednesday, December 7, 2016 3:09 PM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>; Lowe, Leonard, EMNRD <Leonard.Lowe@state.nm.us>
Cc: Jordan Kessler <JLKessler@hollandhart.com>
Subject: RE: Chaco #221H Non Standard Location

December 12, 2016

WPX ENERGY

Sent via Email

Encana Oil & Gas (USA) Inc. ("Encana")
ATTN: Mona Binion
370 17th Street, Suite 1700
Denver, CO 80202

Re: Request for Waiver of NSI,
Chaco 2206-16A 221H Well
Section 16, Township 22 North, Range 6 West, San Juan County, New Mexico

| | |
|--------------------|---|
| SHL: | 738 feet from the North line and 270 feet from the East line (Unit A) |
| First Perf: | 376 feet from the North line and 64 feet from the East line (Unit A) |
| Last Perf: | 377 feet from the North line and 83 feet from the East line (Unit A) |

Dear Ms. Binion:

WPX Energy Production, L.L.C. owns 100% of the working interest in the N/2 N/2 of Section 16, Township 22 North, Range 6 West N.M.P.M., Sandoval County, New Mexico. WPX has submitted an application to the New Mexico Oil Conservation Division requesting a non-standard location for the above-referenced well.

WPX respectfully requests that Encana waive any objection to the captioned well's non-standard location. Please indicate your agreement to waive any objection to this non-standard location by having an authorized party date and execute both copies of this letter in the spaces provided below on behalf of your company. Please return one executed copy to the attention of Brennan West at the address listed below.

Should you have any questions, please do not hesitate to contact me directly at 539-573-2878. Thank you in advance for your prompt attention to this matter.

Regards,



Brennan West
Land Representative

Encana hereby waives its right to object to the application of WPX Energy Production, L.L.C for an administrative order from the New Mexico Oil Conservation Division approving WPX's application for a non-standard location for the Chaco 2206-16A 22111 Well.

☒ I waive the right to object to the captioned well's current non-standard location.

☐ I do not waive the right to object to the captioned well's current non-standard location

BY: Theresa Winda

ITS: Development Manager

DATE: 12/13/16

McMillan, Michael, EMNRD

From: West, Brennan <Brennan.West@wpenergy.com>
Sent: Tuesday, December 13, 2016 1:57 PM
To: McMillan, Michael, EMNRD
Subject: RE: NSL Letter for #221H

Per our conversation, the perms are in the curve of the lateral and will test an upper part of the Mancos formation.

Brennan West
Landman
O: 539-573-2878
C: 918-691-3111

-----Original Message-----

From: West, Brennan
Sent: Tuesday, December 13, 2016 1:17 PM
To: 'McMillan, Michael, EMNRD' <Michael.McMillan@state.nm.us>
Subject: RE: NSL Letter for #221H

We are requesting the NSL because of first perforation is 64 feet FEL and since that is less than 330 feet, our location is unorthodox and thus we have a NSL.

Brennan West
Landman
O: 539-573-2878
C: 918-691-3111

-----Original Message-----

From: McMillan, Michael, EMNRD [mailto:Michael.McMillan@state.nm.us]
Sent: Tuesday, December 13, 2016 12:22 PM
To: West, Brennan <Brennan.West@wpenergy.com>
Subject: RE: NSL Letter for #221H

Why are you requesting the NSL application?
It is the last thing I need before submitting to the Director Mike

-----Original Message-----

From: West, Brennan [mailto:Brennan.West@wpenergy.com]
Sent: Tuesday, December 13, 2016 10:23 AM
To: McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us>
Subject: Re: NSL Letter for #221H

They have already signed and waived the NSL to the east. What else do they need to waive?

Sent from my iPhone

> On Dec 13, 2016, at 11:09 AM, McMillan, Michael, EMNRD <Michael.McMillan@state.nm.us> wrote:
>
> That looks good.