

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

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APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF THE SOUTH CHACO FEDERAL EXPLORATORY UNIT; AND FOR AN EXCEPTION TO THE WELL LOCATION REQUIREMENTS SET FORTH IN THE SPECIAL RULES FOR THE BASIN MANCOS GAS POOL, SANDOVAL COUNTY, NEW MEXICO.

CASE NO. 15173

APPLICATION

WPX ENERGY PRODUCTION, LLC, (“WPX”) through its undersigned attorneys, files this application with the Oil Conservation Division for an order (1) approving it’s South Chaco Federal Exploratory Unit pursuant to 19.15.20.14 NMAC; and (2) for an exception to the well location requirements in the Special Rules for the Basin Mancos Gas Pool to allow WPX to locate wells anywhere within the Unit so long as the completed interval is no closer than 330 feet to the outer boundary of the Unit Area. In support of its application, WPX states:

1. The proposed Unit Area for the South Chaco Federal Exploratory Unit consists of approximately 1,282 acres of Indian allotted lands (the “subject acreage”) situated in:

TOWNSHIP 22 NORTH, RANGE 7 WEST, N.M.P.M.

Section 1: N/2
Section 2: All

TOWNSHIP 23 NORTH, RANGE 7 WEST, N.M.P.M.

Section 35: S/2

2. WPX Energy Production, LLC (OGRID 120782) is the designated operator under the Unit Agreement. The unitized interval includes all formations from the top of the Mancos Shale (base of Mesa Verde Group) at a measured depth of 4,571 feet to the base of the Greenhorn Limestone formation (top of the Graneros Shale) at a measured depth of 6,456 feet as shown in the Quinella #1 well (API No. 30043200770000).

3. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

4. WPX anticipates preliminary approval of the Unit Agreement from the Bureau of Land Management and the Federal Indian Minerals Office.

5. The entire Unit Area will be developed and operated as a single Participating Area.

6. Pursuant to 19.15.20.14 NMAC, after notice and hearing, the Division may approve the combining of contiguous developed proration units into a unitized area.

7. The Unit Area is currently subject to the Special Rules and Regulations for the Basin Mancos Gas Pool adopted in 2008 under Division Order R-12984.

8. Rule C(1) of the Special Rules for the Basin Mancos Gas Pool require wells to be located no closer than 660 feet to the outer boundary of a spacing unit, or in this case the outer boundary of the Unit Area.

9. In order to allow for the most efficient horizontal well development pattern, and to effectively drain the reserves in the unitized formation underlying the

Unit Area, WPX requests an exception to Rule C(1) of the Special Rules for the Basin Mancos Gas Pool to allow WPX to locate wells anywhere within the Unit so long as the completed interval is no closer than 330 feet to the outer boundary of the Unit Area.

10. Notice of this Application has been provided to the affected parties in the spacing units offsetting the proposed Unit Area.

11. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, WPX Energy Production, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 24, 2014, and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

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**ATTORNEYS FOR
WPX ENERGY PRODUCTION, LLC**

CASE 15173

Application Of WPX Energy Production, LLC For Approval Of The South Chaco Federal Exploratory Unit; And For An Exception To The Well Location Requirements Set Forth In The Special Rules For The Basin Mancos Gas Pool, Sandoval County, New Mexico. Applicant seeks approval of its South Chaco Federal Exploratory Unit consisting of 1,282 acres, more or less, of allotted Indian lands situated in all or parts of Sections 1 and 2 of Township 22 North, Range 7 West and the South half of Section 35, Township 23 North, Range 7 West, N.M.P.M., Sandoval County, New Mexico. The unitized interval includes all formations from the top of the Mancos Shale (base of Mesa Verde Group) at a measured depth of 4,571 feet to the base of the Greenhorn Limestone formation (top of the Graneros Shale) at a measured depth of 6,456 feet as shown in the Quinella #1 well (API No. 30043200770000). In addition, Applicant seeks an exception to Rule C(1) of the Special Rules for the Basin Mancos Gas Pool to allow WPX to locate wells anywhere within the Unit so long as the completed interval is no closer than 330 feet to the outer boundary of the Unit Area. The subject acreage is located approximately 3 miles Southeast of Lybrook, New Mexico.