

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

APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF THE NORTHWEST LYBROOK UNIT; CREATION OF A NEW POOL WITHIN THE UNIT, AND FOR ALLOWANCE OF 330 FOOT SETBACKS FROM THE EXTERIOR OF THE UNIT AREA, RIO ARriba AND SAN JUAN COUNTIES, NEW MEXICO.

CASE NO. 15204

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 Northwest Lybrook Unit pursuant to 19.15.2014 NMAC; (2) creating a new pool for horizontal wells within the Unit Area; and (3) allowing for 330 foot setbacks from the exterior of the proposed Unit. In support of its application, WPX states:

1. The proposed Unit Area for the Northwest Lybrook Unit consists of approximately 2,322 acres of Federal, State and Allotted Indian lands situated in:

TOWNSHIP 24 NORTH, RANGE 8 WEST, N.M.P.M.

Section 25: S/2
Section 26: S/2
Section 35: All
Section 36: All

TOWNSHIP 24 NORTH, RANGE 7 WEST, N.M.P.M.

Section 30: E/2SW/4
Section 31: N/2

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2. WPX (OGRID No. 120782) is the designated operator under the Unit Agreement. The unitized interval is from the top of the Mancos formation at a measured depth of 4,349' down to the stratigraphic equivalent of the top of the Greenhorn Limestone formation at a measured depth of 6,098' as encountered in the Federal 34-43 well in Section 34, Township 24 North, Range 8 West, N.M.P.M. (API No. 30-045-24521).

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. Applicant expects to receive preliminary approval of the Unit Agreement from the Bureau of Land Management, the Federal Indian Minerals Office, and the New Mexico State Land 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 Lybrook Gallup Oil Pool (42289) and the Special Rules and Regulations for the Basin Mancos Gas Pool (97232) adopted under Order R-12984.

8. The Lybrook Gallup Oil Pool is subject to Statewide Rule 19.15.15.9 which requires wells to be located no closer than 330 feet to the outer boundary of a spacing unit.

9. Rule C 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 project area.

10. 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 that the Division create a new pool for horizontal development within the Northwest Lybrook Unit that covers the unitized interval and allows for 330 foot setbacks.

11. WPX will provide notice of this application to the affected persons in the spacing units that adjoin the proposed Unit Area and the affected persons within the unitized area.

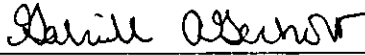
12. WPX will also cause notice of this Application to be published in local newspapers of general circulation in Rio Arriba and San Juan Counties, New Mexico.

13. Approval of this Application and the creation of a new pool for horizontal development in the unitized area 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 September 18, 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 15204:

Application Of WPX Energy Production, LLC For Approval Of The Northwest Lybrook Unit; Creation Of A New Pool For Horizontal Development Within The Unit Area, And For Allowance Of 330 Foot Setbacks From The Exterior Of The Proposed Unit, Rio Arriba And San Juan Counties, New Mexico. Applicant seeks approval of its Northwest Lybrook Unit consisting of approximately 2,322 acres of Federal, State and Allotted Indian lands situated in all or parts of the S/2 of Section 25, the S/2 of Section 26, Sections 35 and 36 of Township 24 North, Range 8 West and the E/2SW/4 of Section 30 and the N/2 of Section 31 of Township 24 North, Range 7 West, N.M.P.M., Rio Arriba and San Juan Counties, New Mexico. The unitized interval is from the top of the Mancos formation at a measured depth of 4,349' down to the stratigraphic equivalent of the top of the Greenhorn Limestone formation at a measured depth of 6,098' as encountered in the Federal 34-43 well in Section 34, Township 24 North, Range 8 West, N.M.P.M. (API No. 30-045-24521). In addition, Applicant seeks an order creating a new pool within the unitized interval that will allow for wells to be located anywhere within the proposed Unit Area so long as the completed interval is no closer than 330 feet from the outer boundary of the proposed Unit. The subject acreage is located approximately 3.5 miles Northwest of Lybrook, New Mexico.