

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

APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF A 640-ACRE NON-STANDARD PROJECT AREA COMPRISED OF ACREAGE SUBJECT TO A PROPOSED FEDERAL COMMUNITIZATION AGREEMENT, FOR CREATION OF A NEW POOL WITHIN THE PROJECT AREA, AND FOR ALLOWANCE OF 330 FOOT SETBACKS FROM THE EXTERIOR OF THE PROPOSED PROJECT AREA, RIO ARRIBA COUNTY, NEW MEXICO.

CASE NO. 15349

APPLICATION

WPX ENERGY PRODUCTION, LLC, ("WPX") through its undersigned attorneys, files this application with the Oil Conservation Division for an order (1) approving a 640-acre non-standard project area comprised of acreage subject to a federal Communitization Agreement covering all of Section 35, Township 24 North, Range 7 West, NMPM, Rio Arriba County, New Mexico; (2) creating a new pool for horizontal wells within this project area; and (3) allowing for 330 foot setbacks from the exterior of the proposed project area. In support of its application, WPX states:

1. WPX (OGRID No. 120782) owns all of the working interests in two federal leases covering Section 35, Township 24 North, Range 7 West, NMPM, Rio Arriba County, New Mexico.

2. WPX plans to initially drill three horizontal oil wells diagonally in Section 35 from the southeast to the northwest in the Mancos formation.

3. WPX has visited with the Bureau of Land Management about a single Communitization Agreement covering all of Section 35 and expects to receive

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preliminary approval of this Communitization Agreement in advance of the hearing in this matter.

4. Section 35 contains acreage in the Basin Mancos Gas Pool (97232) and the Lybrook Gallup Pool (42289). The Basin Mancos Gas Pool requires 320-acre spacing units and 660 foot setbacks from the outer boundary of the spacing unit while the Lybrook Gallup Pool is subject to the Division's Statewide Rules for oil wells providing for 40-acre spacing units and 330 foot setbacks from the outer boundary of the spacing unit.

5. In order to minimize surface disturbance, allow for the most efficient horizontal well development pattern, and to effectively drain the reserves in the Mancos formation, the entire communitized area should be treated as a single project area and a new pool for horizontal well development should be created that will allow for wells to be located anywhere within the proposed project area so long as the completed interval remains 330 feet from the outer boundary of the project area.

6. Division Rule 19.15.16.7.L recognizes a state exploratory unit and a participating area within a federal unit as an approved "project area" for purposes of efficient horizontal well development. However, this rule currently does not expressly recognize a communitized area as a "project area" for horizontal well development.

7. Approval of the proposed 640-acre communitized area as a single project area is consistent with the intent of a "project area" expressed in Rule 19.15.16.7.L(2).

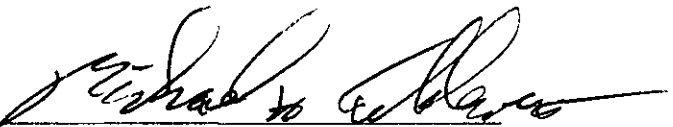
8. WPX will provide notice of this application to the affected persons in the spacing units that adjoin the proposed 640-acre project area and to the affected persons within the proposed project area.

9. Approval of this application is 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 23, 2015, 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 15349

Application Of WPX Energy Production, LLC For Approval Of A 640-Acre Non-Standard Project Area Comprised Of Acreage Subject To A Proposed Federal Communitization Agreement, For Creation Of A New Pool Within The Project Area, And For Allowance Of 330 Foot Setbacks From The Exterior Of The Proposed Project Area, Rio Arriba County, New Mexico.

Applicant seeks approval of a 640-acre non-standard project area in the Mancos formation comprised of acreage subject to a federal Communitization Agreement covering all of Section 35, Township 24 North, Range 7 West, NMPM, Rio Arriba County, New Mexico. This acreage is currently within the Basin Mancos Gas Pool and the Lybrook Gallup Oil Pool. Applicant also seeks an order creating a new pool for horizontal well development within the proposed project area that will allow for wells to be located anywhere within the proposed project area so long as the completed interval is no closer than 330 feet from the outer boundary of the proposed project area. The subject acreage is located approximately 4 miles North of Lybrook, New Mexico.