

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15355
ORDER NO. R-14036**

**APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF
AN UNORTHODOX LOCATION, RIO ARRIBA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 6, 2015, at Santa Fe, New Mexico, before Examiner Michael McMillan.

NOW, on this 17th day of August, 2015, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) WPX Energy Production, LLC (the "Applicant") seeks approval of a non-standard location in the Chaco Unit NE Hz (Oil), Pool (pool code 98088).

(3) Applicant's NE Chaco Com. Well No. 255H (the "subject well"; API No. 30-039-31291), a horizontal well drilled from a surface location 1305 feet from the South line and 240 feet from the West line (Unit L) of Section 5 to a terminus 325 feet from the North line and 231 feet from the East Line (Unit A) of Section 8, Township 23 North, Range 6 West, NMPM, Rio Arriba County, New Mexico. The location of the well is unorthodox because the proposed completed interval is less than 330 feet from the outer boundaries of the Northeast Chaco Horizontal Well Project Area (Project Area).

(4) The boundaries of the pool and Project Area are governed by Division Order No. R-13817-A, issued on September 22, 2014.

(5) The subject well is within the Chaco Unit NE Hz (Oil) Pool (pool code 98088). Spacing in this pool is governed by special pool rules which provide for horizontal wells with 320-acre oil spacing and proration units. Further, the completed interval shall be no closer than 330 feet from the outer boundary of the Project Area.

(6) Applicant appeared at the hearing through counsel and presented land and engineering evidence to the effect that:

- (a) Applicant is the operator of the subject well;
- (b) subject well had experienced drilling problems, which caused the completed interval to be past the standard set-backs for the pool;
- (c) completed interval is 615 feet from the South line and 323 feet from the West line of Section 5 (standard location), and 315 feet from the North line and 293 feet from the East line of Section 8 (non-standard location);
- (d) completed interval beyond the 330 foot setbacks in Section 8 are non-standard, because it is located along the Eastern boundary of the Project Area;
- (e) Applicant is the affected party in the NW/4 of Section 9;
- (f) Applicant had notified the diagonal off-set parties in Section 4; and
- (g) the diagonal off-set parties of the subject well should not have been notified, because the special pool rules for the Chaco Unit NE Hz (Oil) Pool requires notification if the completed interval is less than 330 feet from the Project Area boundary. Therefore, the only affected party is the NW/4 of Section 9.

(7) Coleman Oil and Gas appeared through counsel and presented the following:

- (a) Coleman Oil and Gas (Coleman) is an affected party in the S/2 of Section 4;
- (b) The subject well may adversely affect Coleman's correlative rights as a result of the diagonal off-set distance of the completed interval in the subject well with respect to Section 4;
- (c) Coleman proposed that a bridge plug be inserted inside the legal set-backs at the toe of the subject well to ensure their correlative rights.

The Division concludes as follows:

(8) Approval of the subject non-standard location will enable Applicant to efficiently produce the reserves underlying the project area, thereby preventing waste, and will not impair correlative rights.

(9) Applicant had inadvertently notified diagonal off-set interest owners of the subject well, which is not required under the special pool rules for the Chaco Unit NE Hz (Oil) Pool.

(10) The subject well is non-standard when the completed interval is less than the 330 feet from the East line of Section 8.

(11) Coleman failed to satisfactorily demonstrate that their correlative rights were adversely affected.

(12) The only affected party is the NW/4 of Section 9, in which the Applicant is the only affected party.

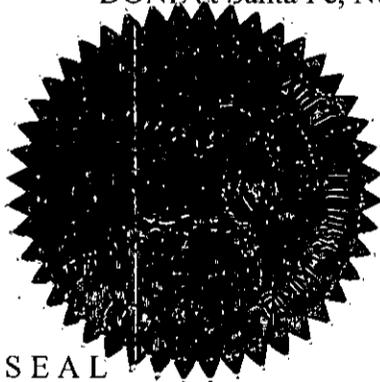
(13) Applicant's application for a non-standard location should be approved.

IT IS THEREFORE ORDERED THAT:

(1) A non-standard location for the WPX Energy Production, LLC NE Chaco Com. Well No. 255H with the proposed perforations located no less than 315 feet from the North line and 293 feet from the East line of Section 8 is hereby approved.

(2) 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 the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in cursive script that reads "Scott Dawson for".

DAVID R. CATANACH
Director