

District I (575) 393-6161
162 N. French Dr., Hobbs, NM 88240
District II (575) 748-1283
811 S. First St., Artesia, NM 88210
District III (505) 334-6178
1000 Rio Brazos Road, Aztec, NM 87410
District IV (505) 827-8198
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

DEC 03 2015

Form C-106
Revised August 1, 2011

ACT Permit No.

3-14

NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT

Operator WPX Energy Production, LLC

Address 721 S. Main, Aztec, NM 87410 County San Juan

Lease(s) to be served by this ACT Unit NMNM 133321X (NO-G-1311-1795, NO-G-1311-1796, NO-G-1312-1790, NO-G-1312-1797, NO-G-1312-1799, NO-G-1312-1800, NO-G-1312-1814, NO-G-1312-1815)

Pool(s) to be served by this ACT Unit Lybrook Gallup (42289)

Location of ACT System: Unit A Section 2 Township 22N Range 7W
Order No. authorizing commingling between leases if more than one lease is to be served by this system.

R-13883 & R-13883 A Date 8/15/2014 & 11/18/2014
Order No. authorizing commingling between pools if more than one pool is to be served by this system

N/A Date _____

Authorized transporter of oil from this system Western Refining

Transporter's address 3303 North 1st Street, Bloomfield, NM 87413

Maximum expected daily through-put for this system: 2,000 BBL/Day

If system fails to transfer oil due to malfunction or otherwise, waste by overflow will be averted by:
CHECK ONE: A. Automatic shut-down facilities B. Providing adequate available capacity to receive production as required by 19.15.18.15.C(8) NMAC during maximum unattended time of lease operation 19.15.18.15.C(9) NMAC

If "A" above is checked, will flowing wells be shut-in at the header manifold or at the wellhead?

Maximum well-head shut-in pressure _____

If "B" above is checked, how much storage capacity is available above the normal high working level of the

surge tank 500 BBLs.

What is the normal maximum unattended time of lease operation? Sixteen (16) Hours.

What device will be used for measuring oil in this ACT unit?

CHECK ONE: Positive displacement meter Weir-type measuring vessel
 Positive volume metering chamber Other; describe Coriolis Meter

Remarks: This LACT will be selling to pipeline.

OPERATOR:
I hereby certify above information is true and complete to best of my knowledge and subject ACT system will be installed and operated in accordance with Rule 19.15.18.15 NMAC. Approval of this Form C-106 does not eliminate necessity of an approved C-104 prior to running any oil or gas from this system.
Signature [Signature]
Printed Name & Title Robert Jordan, Production Superintendent
E-mail Address robert.jordan@wpxenergy.com
Date 12/2/15 Telephone (505) 333-1850

OIL CONSERVATION DIVISION
Approved by: [Signature]
DEPUTY OIL & GAS INSPECTOR
DISTRICT #3
Title: _____
Date: 12-4-15

INSTRUCTIONS: Submit one copy of Form C-106 with following attachments to appropriate district office.
1) Lease plat showing all wells which will be produced in ACT system.
2) Schematic diagram of battery and ACT equipment showing all major components and means employed to prove accuracy of measuring device.
3) Letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

**NOTICE OF INTENTION TO UTILIZE AUTOMATIC CUSTODY TRANSFER EQUIPMENT
S CHACO UT#339H/#340H/#342H/#346H PIPELINE LACT UNIT**

WELLS TO BE SERVED BY TRUCK LACT UNIT:

- S CHACO UT #339H / API #30-043-21244// UNIT P (SE/SE) Sec. 35, T23N, R7W, NMPM
- S CHACO UT #340H / API #30-043-21247// UNIT P (SE/SE) Sec. 35, T23N, R7W, NMPM
- S CHACO UT #342H / API #30-043-21243// UNIT A (NE/NE) Sec. 2, T22N, R7W, NMPM
- S CHACO UT #346H / API #30-043-21241// UNIT A (NE/NE) Sec. 2, T22N, R7W, NMPM

19.15.18.15 AUTOMATIC CUSTODY TRANSFER EQUIPMENT:

A. Oil shall be received and measured in facilities of an approved design. The facilities shall permit the testing of each well at reasonable intervals and may be comprised of manually gauged, closed stock tanks for which the operator of the ACT system has prepared proper strapping tables, or of ACT equipment. The division shall permit ACT equipment's use only after the operator complies with the following. The operator shall file with the division form C-106 and receive approval for use of the ACT equipment prior to transferring oil through the ACT system. The carrier shall not accept delivery of oil through the ACT system until the division has approved form C-106.

- *Summary is attached to Form C-106 Notice of Intent to Utilize Automatic Custody Transfer Equipment*

B. The operator of the ACT system shall submit form C-106 to the appropriate division district office, which is accompanied by the following:

- (1) plat of the lease showing all wells that the any well operator will produce into the ACT system;

- *Attached as part of Form C-106 Notice of Intent*

(2) schematic diagram of the ACT equipment, showing on the diagram all major components such as surge tanks and their capacity, extra storage tanks and their capacity, transfer pumps, monitors, reroute valves, treaters, samplers, strainers, air and gas eliminators, back pressure valves and metering devices (indicating type and capacity, *i.e.* whether automatic measuring tank, positive volume metering chamber, weir-type measuring vessel or positive displacement meter); the schematic diagram shall also show means employed to prove the measuring device's accuracy; and

- *Attached as part of Form C-106 Notice of Intent*

- (3) letter from transporter agreeing to utilization of ACT system as shown on schematic diagram.

- *Attached as part of Form C-106 Notice of Intent*

C. The division shall not approve form C-106 unless the operator of the ACT system will install and operate the ACT system in compliance with the following requirements.

(1) Provision is made for accurate determination and recording of uncorrected volume and applicable temperature, or of temperature corrected volume. The system's overall accuracy shall equal or surpass manual methods.

- *The LACT system is more accurate when compared to a manual tank sale. It is proved per BLM Onshore Order #4 Measurement of Oil and API MPMS Chapter 4 Proving Systems; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The LACT also has a temperature RTD which will be calibrated semi-annually, unless more frequent verification is requested by the division.*

(2) Provision is made for representative sampling of the oil transferred for determination of API gravity and BS&W content.

- *The LACT is equipped with a flow proportional sampler (sample probe and actuated valve). The sampled fluid is stored in a sealed cylinder that is used for API gravity and S&W determination.*

(3) Provision is made if required by either the oil's producer or the transporter to give adequate assurance that the ACT system runs only merchantable oil.

- *The LACT is equipped with a water cut analyzer that communicates with the flow computer. When the S&W set point is reached the divert valve will engage sending non-merchantable oil to a divert tank. The set point can be adjusted in the flow computer but only if agreed upon by both shipper and producer.*

(4) Provision is made for set-stop counters to stop the flow of oil through the ACT system at or prior to the time the allowable has been run. Counters shall provide non-reset totalizers that are visible for inspection at all times.

- *The Coriolis meter has non-resettable totalizer which is always visibly available on the LCD display.*

(5) Necessary controls and equipment are enclosed and sealed, or otherwise arranged to provide assurance against, or evidence of, accidental or purposeful mismeasurement resulting from tampering.

- *Required ports are sealed and tracked in the seal log.*

(6) The ACT system's components are properly sized to ensure operation within the range of their established ratings. All system components that require periodic calibration or inspection for proof of continued accuracy are readily accessible; the frequency and methods of the calibration or inspection shall be as set forth in Paragraph (12) of Subsection C of 19.15.18.15 NMAC.

- *The Coriolis is proved per BLM Onshore Order #4 Measurement of Oil and API MPMS Chapter 4 Proving Systems; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The prover is NIST traceable and water drawn on a bi-annual basis. Proving will be consistent with Onshore Order #4, unless a variance is granted by the Division. NMOCD representatives are sent the schedule to witness if desired. The temperature transmitter is verified on a semi-annual basis, unless more frequent verification is requested by the Division. The water cut analyzer is calibrated as needed.*

(7) The control and recording system includes adequate fail-safe features that provide assurance against mismeasurement in the event of power failure, or the failure of the ACT system's component parts.

- *In the event of power failure, the divert valve mechanically goes to "failed state" and no longer sales oil but only sends it to the divert tank.*
- *All of the historized volume data is stored in flow computer memory with battery backup and is also transmitted by SCADA, multiple times a day, to an office server. So even during a power failure no oil volume is lost.*
- *In the event of a malfunction, the LACT unit is programmed to shut off and divert valve is forced to close and no longer sales oil but only sends it to the divert tank. The malfunction is also logged by the flow computer.*

(8) The ACT system and allied facilities include fail-safe equipment as may be necessary, including high level switches in the surge tank or overflow storage tank that, in the event of power failure or malfunction of the ACT or other equipment, will shut down artificially lifted wells connected to the ACT system and will shut in flowing wells at the well-head or at the header manifold, in which latter case the operator of the ACT system shall pressure test all flowlines to at least 1½ times the maximum well-head shut-in pressure prior to the ACT system's initial use and every two years thereafter.

- *Hi level switches are in place and will shut the well in at the inlet to the production unit in the event of a full tank. Flow lines were tested to 1 ½ times shut in pressure at initial construction. Testing will commence every two years to ensure piping integrity.*

(9) As an alternative to the requirements of Paragraph (8) of Subsection C of 19.15.18.15 NMAC the producer shall provide and at all times maintain a minimum of available storage capacity above the normal high working level of the surge tank to receive and hold the amount of oil that may be produced during maximum unattended time of lease operation.

- *N/A*

(10) In all ACT systems employing automatic measuring tanks, weir-type measuring vessels, positive volume metering chambers or any other volume measuring container, the container and allied components shall be properly calibrated prior to initial use and shall be operated, maintained and inspected as necessary to ensure against incrustation, changes in clingage factors, valve leakage or other leakage and improper action of floats, level detectors, etc.

- *N/A – Coriolis Meter*

(11) In ACT systems employing positive displacement meters, the meter and allied components shall be properly calibrated prior to initial use and shall be operated, maintained and inspected as necessary to ensure against oil mismeasurement.

- *The Coriolis is proved per BLM Onshore Order #4 Measurement of Oil and API MPMS Chapter 4 Proving Systems; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The prover is NIST traceable and water drawn on a bi-annual basis. Monthly proving will continue per the rule, unless a variance is granted by the Division. NMOCD representatives are sent the schedule to witness if desired. The temperature transmitter is verified on a semi-annual basis, unless more frequent verification is requested by the Division.*

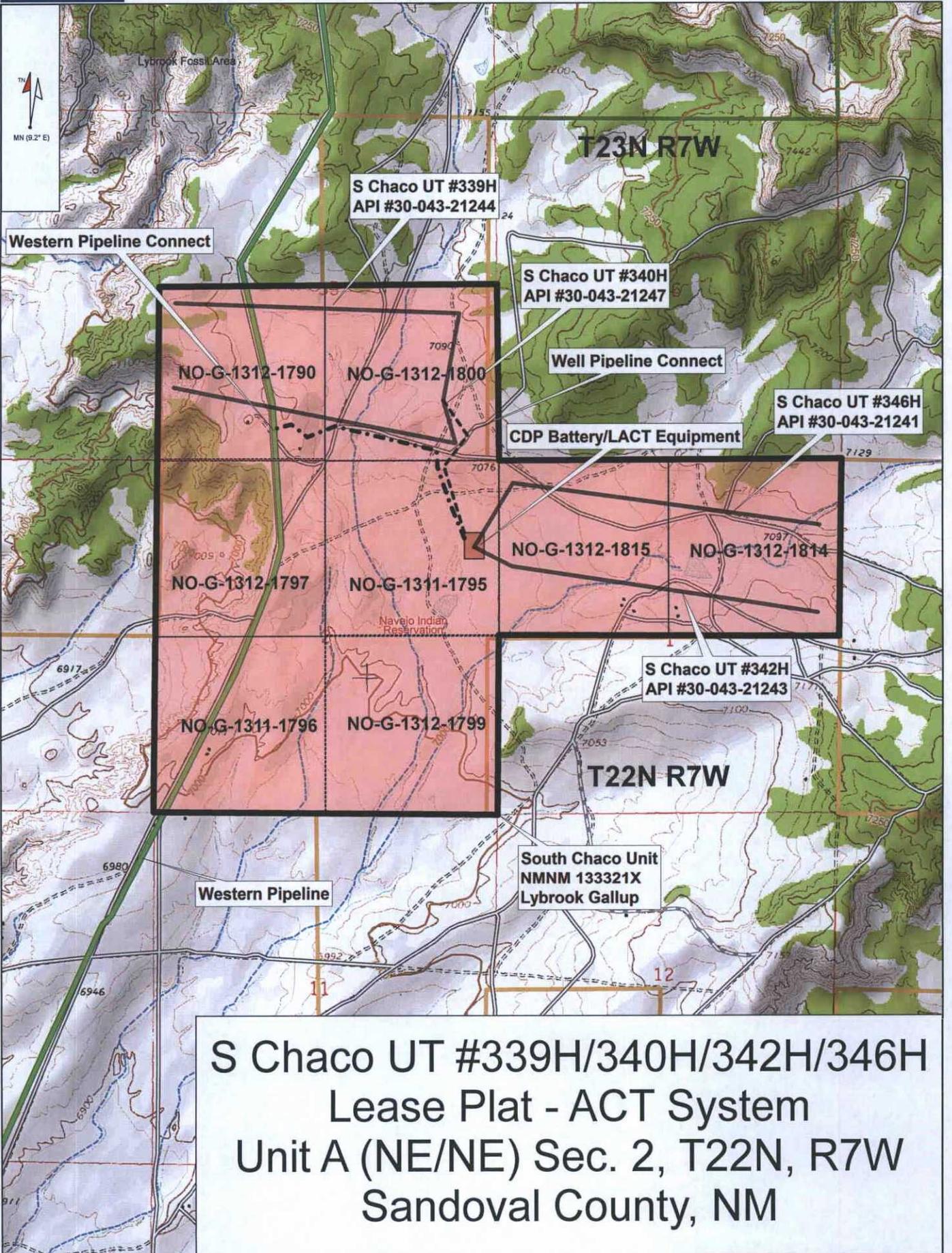
(12) The operator of the ACT system shall check the measuring and recording devices of ACT systems for accuracy at least once each month unless it has obtained an exception to such determination from the division. Where applicable, the operator of the ACT system shall use API standard 1101, Measurement of Petroleum Hydrocarbons by Positive Displacement Meter. Meters may be proved against master meters, portable prover tanks or prover tanks permanently installed on the lease. If the operator of the ACT system uses permanently installed prover tanks, the distance between the opening and closing levels and the provision for determining the opening and closing readings shall be sufficient to detect variations of 5/100 of one percent. The operator of the ACT system shall file reports of determination on the division form entitled "meter test report" or on another acceptable form in duplicate with the appropriate division district office.

- *The Coriolis is proved per BLM Onshore Order #4 Measurement of Oil and API MPMS Chapter 4 Proving Systems; with a volumetric prover that meets the requirements set forth in Onshore Order #4. The prover is NIST traceable and water drawn on a bi-annual basis. Monthly proving will continue per the rule, unless a variance is granted by the Division. NMOCD representatives are sent the schedule to witness if desired. The temperature transmitter is verified on a semi-annual basis, unless more frequent verification is requested by the Division.*

(13) To obtain an exception to the requirement in Paragraph (12) of Subsection C of 19.15.18.15 NMAC that all measuring and recording devices be checked for accuracy once each month, either the producer or transporter may file a request with the director setting forth facts pertinent to the exception. The application shall include a history of the average factors previously obtained, both tabulated and plotted on a graph of factors versus time, showing that the particular installation has experienced no erratic drift. The applicant shall also furnish evidence that the other interested party has agreed to the exception. The director may then set the frequency for determination of the system's accuracy at the interval which the director deems prudent.

- *N/A*

D. The division may revoke its approval of an ACT system's form C-106 if the system's operator fails to operate it in compliance with 19.15.18.15 NMAC.

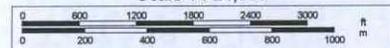


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www.delorme.com

Scale 1 : 24,000



1" = 2,000.0 ft Data Zoom 13-0

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

District II
811 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) 334-6178 Fax: (505) 334-6170

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

Form C-102
Revised August 1, 2011

Submit one copy to
Appropriate District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, NM 87505

AMENDED REPORT

AS DRILLED

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-043-21247		² Pool Code 42289		³ Pool Name LYBROOK GALLUP	
⁴ Property Code 314331		⁵ Property Name S CHACO UT		⁶ Well Number 340H	
⁷ OGRID No. 120782		⁸ Operator Name WPX ENERGY PRODUCTION, LLC		⁹ Elevation 7084'	

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	35	23N	7W		889	SOUTH	692	EAST	SANDOVAL

¹¹ Bottom Hole Location If Different From Surface

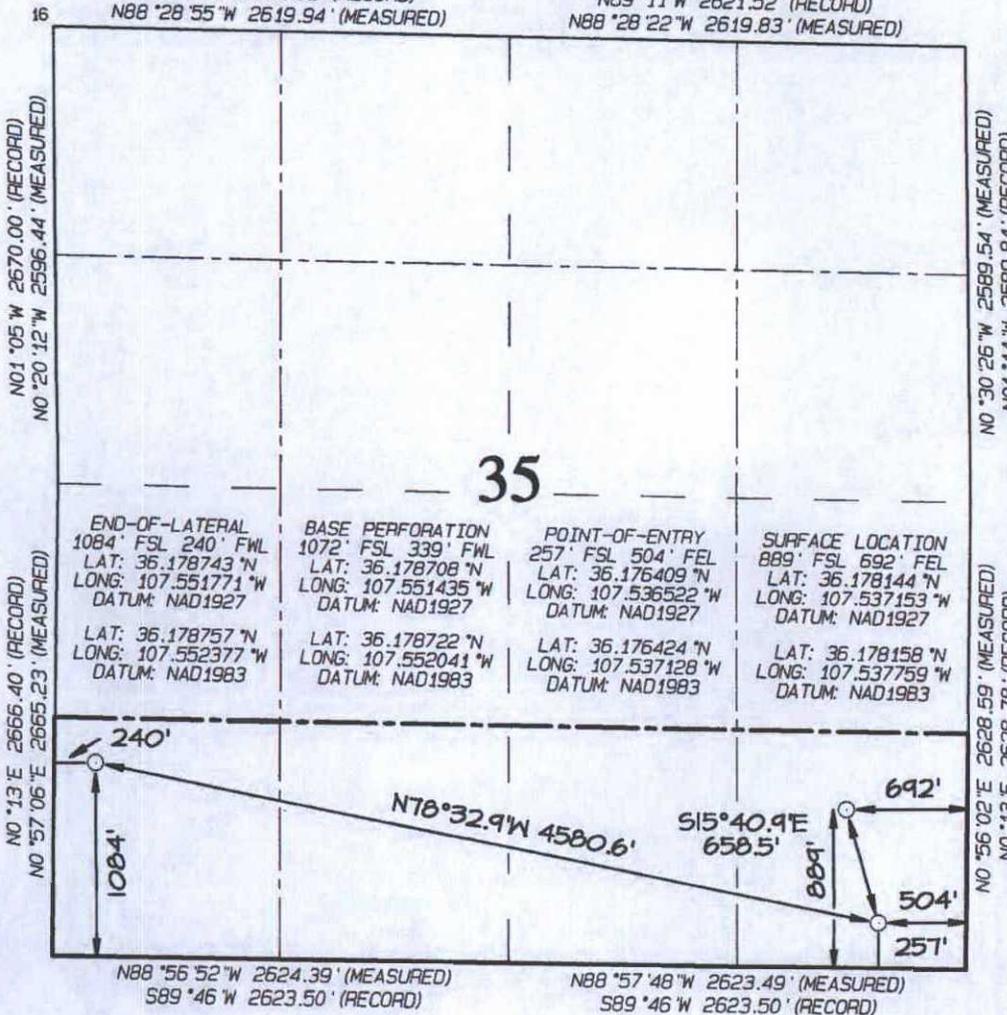
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	35	23N	7W		1084	SOUTH	240	WEST	SANDOVAL

¹² Dedicated Acres 160.0 Acres S/2 S/2 Section 35	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No R-13883-A
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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

N89°11'W 2621.52' (RECORD)
N88°28'55"W 2619.94' (MEASURED)

N89°11'W 2621.52' (RECORD)
N88°28'22"W 2619.83' (MEASURED)



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 unleased 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: LACEY GRANILLO Date: _____
Printed Name: LACEY.GRANILLO@WPXENERGY.COM
E-mail Address: _____

¹⁸ 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: MAY 27, 2015
Date of Survey: JUNE 25, 2014

Signature and Seal of Professional Surveyor



JASON C. EDWARDS

Certificate Number 15269

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

District II
811 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) 334-6178 Fax: (505) 334-6170

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

Form C-102
Revised August 1, 2011

Submit one copy to
Appropriate District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Drive
Santa Fe, NM 87505

AMENDED REPORT

As Drilled Plat

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-043-21243		Pool Code 42289	Pool Name LYBROOK GALLUP
Property Code 314331	Property Name S CHACO UT		Well Number 342H
OGRID No. 120782	Operator Name WPX ENERGY PRODUCTION, LLC		Elevation 7034'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	2	22N	7W	1	1327	NORTH	200	EAST	SANDOVAL

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	1	22N	7W		2322	NORTH	341	EAST	SANDOVAL

Dedicated Acres 160.00	S/2 N/2 Section 1	Joint or Infill	Consolidation Code	Order No. R-13883-A
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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

SURFACE LOCATION
1327' FNL 200' FEL
SEC 2, T22N, R7W
LAT: 36.172052° N
LONG: 107.535526° W
DATUM: NAD1927

LAT: 36.172067° N
LONG: 107.536132° W
DATUM: NAD1983

POINT-OF-ENTRY
1608' FNL 375' FWL
SEC 1, T22N, R7W
LAT: 36.171283° N
LONG: 107.533585° W
DATUM: NAD1927

LAT: 36.171298° N
LONG: 107.534191° W
DATUM: NAD1983

RSI TOOL
2319' FNL 356' FEL
SEC 1, T22N, R7W
LAT: 36.169379° N
LONG: 107.518178° W
DATUM: NAD1927

LAT: 36.169394° N
LONG: 107.518784° W
DATUM: NAD1983

END-OF-LATERAL
2322' FNL 341' FEL
SEC 1, T22N, R7W
LAT: 36.169372° N
LONG: 107.518128° W
DATUM: NAD1927

LAT: 36.169386° N
LONG: 107.518734° W
DATUM: NAD1983

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 unleased 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.

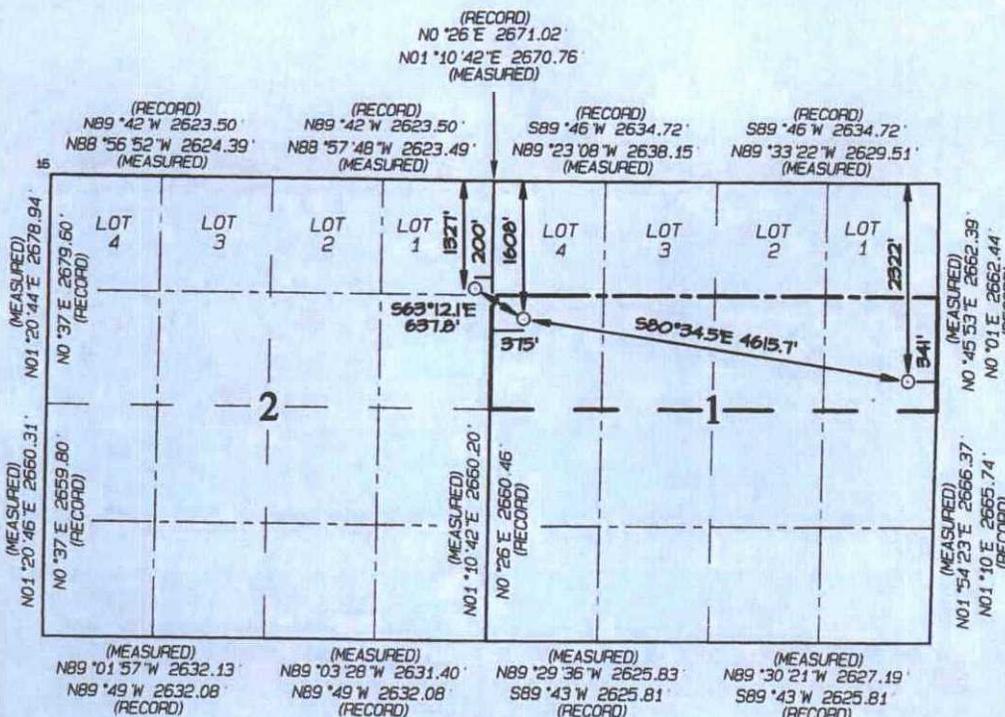
Signature _____ Date _____
Marie E. Jaramillo
Printed Name
marie.jaramillo@wpxenergy.com
E-mail Address

18 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 12, 2015
Survey Date: AUGUST 15, 2014

Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269



From: [Milton, Lynn](#)
To: [Chris Lopez](#)
Subject: RE: LACT Unit Authorization
Date: Monday, October 19, 2015 2:59:14 PM

"We have actively participated in the LACT unit pilot project with WPX on the S Chaco UT #339H/340H/342H/346H (342H CDP) and we are in agreement on using the LACT as the sales point for these facilities as long as, these LACTS will be proved monthly to comply with regulations."

Lynn Milton
Regional Pipeline Operations Manager

Western Refining Pipeline
111 CR 4990
Bloomfield NM. 87413

(505) 632-8006 Main Line
(505) 632-4010 Office
(505) 215-4896 Cell
(505) 632-4021 Fax

lynn.milton@wnr.com

From: Chris Lopez [<mailto:chrislopez@eis-llc.com>]
Sent: Monday, October 19, 2015 1:19 PM
To: Milton, Lynn
Subject: LACT Unit Authorization

Good afternoon Lynn,

Thanks again for working with us on this project. WPX Energy Production, LLC is planning to place a LACT unit on the S. Chaco Unit #342H/#346H location that will also serve the S Chaco Unit #339 and #340 wells. As part of the C-106 application to the NMOCD Aztec office, WPX needs a statement from Western agreeing to the utilization of the unit at this location. If Western agrees to WPX utilizing this unit at this location, please reply to this email with your concurrence, thanks –

Chris

Chris S. Lopez
Regulatory Specialist



Energy Inspection Services
479 Wolverine Drive #9
Bayfield, CO 81122
505-699-9832 (Cell)
505-333-1845 (Office)
chrislopez@eis-llc.com