

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



March 12, 2014

WPX Energy Production, LLC
c/o Holland & Hart LLP, Attorneys
Attn: Mr. Adam G. Rankin

ADMINISTRATIVE NON-STANDARD LOCATION, NON-STANDARD PRORATION
UNIT, AND DOWN-HOLE COMMINGING ORDER

Administrative Order NSL-7013
Administrative Application Reference No. pMAM1401038859

Administrative Order NSP-1975
Administrative Application Reference No. pMAM1401041063

Administrative Order DHC-4653
Administrative Application Reference No. pMAM1401041872

WPX Energy Production, LLC
OGRID 120782
Chaco 2308-16I Well No. 148H
API No. 30-045-35500

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	1531 FSL & 281 FEL	I	16	23N	8W	San Juan
Penetration Point	380 FSL & 380 FEL	P	16	23N	8W	San Juan
Terminus	380 FSL & 230 FWL	M	16	23N	8W	San Juan

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
S/2 S/2 of Section 16	160	Nageezi Gallup	47540
		Basin Mancos	97232

Reference is made to your application received on January 24, 2014.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed, as to the portion of the wellbore in the Nageezi Gallup Pool, by statewide Rule 19.15.15.9.A NMAC, which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary, and, as to the portion of the wellbore in the Basin Mancos Gas Pool, by the Special Rules for the Basin Mancos Gas Pool, which provide for 320-acre units with wells located at least 660 feet from a unit outer boundary. Rule 19.15.16.14.B(2) NMAC concerning directional wells in designated project areas is also applicable, making setback requirements apply to the distance from the outer boundary of the designated project area. This location is unorthodox because portions of the proposed completed interval located in the Basin Mancos Gas Pool are less than 660 feet from an outer boundary of the project area. This surface location is outside the project area, and is permitted by Rule 19.15.16.15.B (4) NMAC which allows for surface locations outside project area.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(2) NMAC.

It is our understanding that you are seeking this location in order to efficiently produce the hydrocarbons within the project area.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in 19.15.4.12.A(2) NMAC in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 19.15.15.13 (B) NMAC, the above-described unorthodox location is hereby approved.

Non-Standard Proration Unit

You have also requested approval of one or more non-standard proration to be included in your proposed project area, as follows:

Units Comprising this Project Area

Unit	Acres	Pool	Code	Std or NS
SE/4 SE/4 of Section 16	40	Nageezi Gallup	47540	Std
SW/4 SE/4 of Section 16	40	Nageezi Gallup	47540	Std
S/2 SW/4 of Section 16	80	Basin Mancos	97232	NS

A standard proration unit in the Basin Mancos Gas pool consists of 320 acres comprising a half-section. Your proposed non-standard proration unit consists of one or more contiguous quarter-quarter sections located entirely within the same half section.

It is understood that you have given due notice of this application to all operators or owners to whom notice is required by Rule 19.15.4.12.A(3) NMAC.

Pursuant to the authority conferred by Division Rule 19.15.15.11.B(2), the above-described non-standard proration unit is hereby approved.

Down-Hole Commingling

You have also requested permission to down-hole commingle production from the above-referenced pools within this wellbore.

It appearing that the subject well qualifies for approval for such exception pursuant to the provisions of Rule 19.15.12.11(A) NMAC, and that reservoir damage or waste will not result from such downhole commingling, and correlative rights will not be violated thereby, you are hereby authorized to commingle the production as described.

Assignment of allowable and allocation of production from the well shall be as follows:

Nageezi Gallup Pool	Pct Gas: 50%	Pct Oil: 50%
Basin Mancos Gas Pool	Pct Gas: 50%	Pct Oil: 50%

It is our understanding that the above allocation percentages are based on the length of the completed interval of the wellbore in each pool

It is also understood that ownership of all interest in the pools from which production is being commingled is identical.

The operator shall notify the Division's Aztec district office upon implementation of commingling operations.

Pursuant to Rule 19.15.12.11 (B) NMAC, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

General provisions

The above approvals are subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 19.15.5.9 NMAC.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

March 12, 2014

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Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Jami Bailey
Director

JB/mam

cc: New Mexico Oil Conservation Division – Aztec
New Mexico State Land Office – Oil, Gas and Minerals

HOLLAND & HART LLP



Adam G. Rankin
Phone (505) 954-7294
Fax (505) 983-6043
AGRankin@hollandhart.com

January 24, 2014

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED PARTIES

Re: AMENDED APPLICATION of WPX Energy Production, LLC for administrative approval of an 80-acre non-standard spacing unit in the Basin-Mancos Gas Pool (97232) and approval of an unorthodox well location in the spacing unit; and approval to downhole commingle production from the Nageezi Gallup Pool (47540) and the Basin Mancos Gas Pool (97232), San Juan County, New Mexico.

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced amended application which was filed with the New Mexico Oil Conservation Division on this date. Any objection to this application must be filed in writing within twenty days from this date at the Division's Santa Fe office located at 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. If no objection is received within this twenty-day period, this application may be approved administratively by the Division.

If you have any questions about this application, please contact the following:

Chuck Bassett
Landman
WPX Energy, Inc.
P.O. Box 3102 MD: 44
Tulsa, OK 74101-3102
(539)-573-6575 (Office)
Chuck.Bassett@wpxenergy.com

Sincerely,

Adam G. Rankin
ATTORNEY FOR WPX ENERGY, LLP

Enclosures

Holland & Hart LLP

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