

State of New Mexico
Energy, Minerals and Natural Resources Department

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Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



December 3, 2015

WPX Energy Production, LLC
Attn: Ms. Jordan Kessler

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

Administrative Order NSL-7358
Administrative Application Reference No. pMAM1531645182

Administrative Order NSP-2044
Administrative Application Reference No. pMAM1531645522

Administrative Order DHC-4784
Administrative Application Reference No. pMAM1531645694

WPX Energy Production, LLC
OGRID 120782
Chaco 2307-06G Well No. 274H
API No. 30-039-pending

Non-Standard Location

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	1647` FNL & 2357` FEL	G	6	23N	7W	Rio Arriba
Penetration Point	2266` FNL & 2266` FWL	F	6	23N	7W	Rio Arriba
Final perforation	1697` FNL & 390` FWL	E	1	23N	8W	San Juan
Terminus	1693` FNL & 330` FWL	E	1	23N	8W	San Juan

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>	<u>County</u>
S/2 NW/4 of Section 6	80.3	Lybrook Gallup	42289	Rio Arriba
S/2 N/2 of Section 1	160	Basin Mancos	97232	San Juan

Reference is made to your application received on November 12, 2015.

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 by the Special Rules for the Basin Mancos Gas Pool, which provides for 320-acre units with wells to be located at least 660 feet from outer unit boundaries, and Rule 19.15.16.14.B (2) NMAC concerning directional wells in designated project areas. 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. 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.

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 for efficient well spacing and to prevent waste of a productive reservoir.

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 Division Rule 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 units to be included in your proposed project area, as follows:

Units Comprising this Project Area

<u>Unit</u>	<u>Acres</u>	<u>Pool</u>	<u>Code</u>
S/2 NW/4 of Section 6	80.3	Lybrook Gallup	42289
S/2 N/2 of Section 1	160	Basin Mancos	97232

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.

Your application has been duly filed under the provisions of Division Rules 19.15.15.13 NMAC and 19.15.4.12.A(3) NMAC.

The applicant is seeking this non-standard proration unit in the Basin Mancos, because the project area consists of two pools with different spacing units, as described above. Next, according to Division Order R-12984 issued on September 3, 2008, the Lybrook Gallup Pool is not listed and frozen; therefore acreage outside of this pool in the project area is dedicated to the Basin Mancos Gas Pool. Lastly, the non-standard proration unit in the Basin Mancos provides for a fair and equitable method to allocate production between the two pools.

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

Pursuant to the authority conferred by Division Rule 19.15.15.11(B), 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 appears that the subject well qualifies for approval for such exception pursuant to the provisions of Division 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:

Basin Mancos Gas Pool	Pct Oil: 66%	Pct Gas: 66%
Lybrook Gallup Pool	Pct Oil: 34%	Pct Gas: 34%

It is our understanding that the above allocation percentages are based on the acreage dedicated to the different pools in the project area.

It is also understood that you have given due notice of this application as defined in Division Rule 19.15.4.12A.(6) NMAC, to all owners of interest in the Basin Mancos Gas Pool and Lybrook Gallup Pool.

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

Pursuant to Division 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.

DONE at Santa Fe, New Mexico, on December 3, 2015.



DAVID R. CATANACH
Director

DRC/mam

cc: New Mexico Oil Conservation Division – Aztec
Bureau of Land Management – Farmington