

State of New Mexico
Energy, Minerals and Natural Resources Department

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Governor

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Cabinet Secretary

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Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



February 1, 2013

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-6744
Administrative Application Reference No. pDKB1301056337

Administrative Order NSP-1959
Administrative Application Reference No. pDKB1301058883

Administrative Order DHC-4602
Administrative Application Reference No. pDKB1301059022

WPX Energy Production, LLC
OGRID 120782
Lybrook 23-8-16 Well No. 201H
API No. 30-045

Non-Standard Location

Proposed Location:

| | Footages | Unit | Sec. | Twsp | Range | County |
|-------------------|--------------------|-------------|-------------|-------------|--------------|---------------|
| Surface | 1491 FSL & 248 FEL | I | 16 | 23N | 8W | San Juan |
| Penetration Point | 2300 FSL & 340 FEL | I | 16 | 23N | 8W | San Juan |
| Terminus | 2300 FSL & 340 FWL | L | 16 | 23N | 8W | San Juan |

Proposed Project Area:

| Description | Acres | Pool | Pool Code |
|-----------------------|--------------|---------------------|------------------|
| N/2 S/2 of Section 16 | 160 | Nageezi; Gallup | 47540 |
| | | Basin; Mancos (Gas) | 97232 |

Reference is made to your application received on January 8, 2013.

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 15.9.A [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 15.16.14.B(2) [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.

Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [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 Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, 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> | <u>Std or NS</u> |
|-------------------------|--------------|------------------|-------------|------------------|
| NE/4 SE/4 of Section 16 | 40 | Nageezi Gallup | 47540 | Std |
| NW/4 SE/4 of Section 16 | 40 | Nageezi Gallup | 47540 | Std |
| N/2 SW/4 of Section 16 | 80 | Basin Mancos Gas | 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).

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 19.15.12.11A, 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.

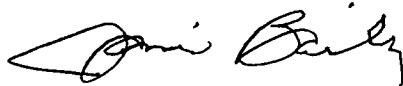
Pursuant to Rule 12.11B, the commingling authority granted herein may be rescinded by the Division Director if conservation is not being best served by such commingling.

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 5.9 [19.15.15.9 NMAC].

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

Sincerely,



Jami Bailey
Director

JB/db

February 1, 2013
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cc: New Mexico Oil Conservation Division – Aztec
New Mexico State Land Office