

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

APPLICATION OF WPX ENERGY
PRODUCTION, LLC FOR A NON-
STANDARD SPACING AND PRORATION
UNIT, COMPULSORY POOLING, AND
UNORTHODOX WELL LOCATION, RIO
ARRIBA COUNTY, NEW MEXICO.

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CASE NO. 15060

AMENDED APPLICATION

WPX ENERGY PRODUCTION, LLC ("WPX") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the S/2 S/2 of Section 32, Township 24 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico; (2) pooling all mineral interests in the Mancos formation underlying this acreage; and (2) approving an unorthodox bottom hole location in this S/2 S/2 project area. In support of its application WPX states:

1. WPX (OGRID 120782) is a working interest owner in the S/2 S/2 of Section 32 and has the right to drill thereon.
2. WPX proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed **Chaco 2407-32M 158H Well**, which will be horizontally drilled from a surface location in the SW/4 SW/4 of Section 32 will enter the formation at 580 feet from the West line and 580 feet from the South line (Unit M) to a non-standard bottom hole location 280 feet from the East line and 580 feet from the South line (Unit P) of said Section 32. The proposed well is located within the Lybrook-Gallup Pool (Pool Code 42289) and is subject to the Division's statewide spacing and 330-foot setback requirements. Accordingly, the bottom hole

location for this well will be unorthodox and encroach on the spacing and proration unit to the East.

3. WPX has sought and been unable to reach voluntary agreement for the development of these lands from all the working interest owners in the subject spacing unit.

4. The pooling of interests and approval of an unorthodox well location will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit WPX to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this spacing unit should be pooled and WPX Energy Production, LLC should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, WPX Energy Production, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 3, 2013, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a non-standard spacing and proration unit in the Mancos formation comprised of the S/2 S/2 of Section 32, Township 24 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico;
- B. Pooling all mineral interests in the Mancos formation underlying this non-standard spacing and proration unit;
- C. Designating WPX Energy Production, LLC operator of this spacing unit and the horizontal well to be drilled thereon;
- D. Approving an unorthodox bottom hole location in the S/2 S/2 of said Section 32;
- E. Authorizing WPX Energy Production, LLC to recover its costs of drilling, equipping and completing the well;

- F. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- G. Imposing a 200% penalty for the risk assumed by WPX Energy Production, LLC in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

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**ATTORNEYS FOR WPX ENERGY PRODUCTION,
LLC**

CASE 15050 **Application of WPX Energy Production, LLC for a non-standard spacing and proration unit, compulsory pooling, and approval of an unorthodox bottom hole location, Rio Arriba County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the S/2 S/2 of Section 32, Township 24 North, Range 7 West, N.M.P.M., Rio Arriba County, New Mexico; (2) pooling all mineral interests in the Mancos formation underlying this acreage to form a 160-acre spacing unit in this formation; and (3) approving an unorthodox bottom hole location in this S/2 S/2 project area. The subject well will be completed in the Mancos formation, Lybrook-Gallup Pool, which is subject to statewide spacing and setback requirements. The surface location for this well will be 396 feet from the South line and 303 feet from the West line (Unit M) and the bottom hole location will be 580 feet from the South line and 280 feet from the East line (Unit P) of said Section 32. Accordingly, the bottom hole for this well will be outside the 330-foot standard offset required by the Division's rules. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of WPX Energy Production, LLC as operator of the well and a 200% charge for risk involved in drilling said well. This well is located approximately 2.5 miles Northwest of Lybrook, New Mexico.