

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

2014 JUL 31 PM 3:15

APPLICATION OF THE NEW MEXICO OIL CONSERVATION DIVISION FOR A NOMENCLATURE HEARING TO FORM A NEW MANCOS OIL POOL FOR HORIZONTAL WELL DEVELOPMENT WITHIN THE WPX PROJECT AREA AS DEFINED IN CASE No. 15102, ORDER R-12817, IN SANDOVAL AND RIO ARRIBA COUNTIES, NEW MEXICO.

CASE NO. 15172

**OCD'S PRE-HEARING STATEMENT ON APPLICATION FOR NOMENCLATURE
HEARING TO FORM A NEW OIL POOL FOR HORIZONTAL WELL
DEVELOPMENT**

Applicant New Mexico Oil Conservation Division ("OCD") is seeking to form a new Mancos oil pool for horizontal well development to be named the "Northeast Chaco Horizontal Well Oil Pool". The OCD supports the approval because of the following:

1. On March 20, 2014, a hearing before the OCD was conducted on the Application of WPX energy to authorize the co-mingling of production from the Escrito-Gallup Associated Pool, Counselors-Gallup-Dakota Oil Pool, and the Lybrook-Gallup Oil Pool, and for an exception to the well location requirements within the proposed project area.
2. On May 2, 2014, the OCD issued an Order finding that a 9,238 acre Project Area for horizontal development in the Mancos formation is approved comprised of the following acreage in Rio Arriba and Sandoval Counties, New Mexico:

TOWNSHIP 23 NORTH, RANGE 6 WEST, N.M.P.M.

Section 5: Lots 1-4, S/2N/2, S/2
Section 6: Lots 1-7, S/2NE/4, SE/4NW/4, E/2SW/4, SE/4
Section 7: Lots 1-4, E/2W/2, E/2
Section 8: All
Section 16: S/2, NW/4
Section 17: Lots 1-7, NE/4NE4, S/2

Section 18: Lots 1-4, E/2W/2, E/2
Section 19: All

TOWNSHIP 23 NORTH, RANGE 7 WEST, N.M.P.M.

Section 1: Lots 5-20
Section 11: Lots 1-2, S/2NW/4, NE/4, S/2
Section 12: Lots 1-3, NW/4SW/4, SE/4, N/2
Section 13: All
Section 14: All
Section 15: E/2, SW/4
Section 24: All

3. The proposed horizontal oil pool would coincide with the boundaries of the Project Area.
4. As further evidence the OCD submits the affidavit of Bill Hoppe, OCD District Geologist (Attached as Exhibit A).

RESPONDENT'S PROPOSED EVIDENCE

WITNESS:

ESTIMATED TIME:

The affidavit of Bill Hoppe, OCD District Geologist

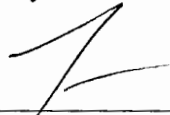
N/A

Testimony on the formation of the "Northeast Chaco Horizontal Well Oil Pool"

PROCEDURAL MATTERS

None.

Respectfully Submitted,



Gabriel Wade
Oil Conservation Division
Energy, Minerals and Natural Resources
Department
1220 S. St. Francis Drive
Santa Fe, NM 87505



7. There are no fluid sensitivity issues, no loss of reserves due to cross flow, and the value of the total remaining reserves will not be reduced by combining the three pools into one horizontal oil pool.

8. Vertical limits of this pool would be from the base of the Point Lookout Sandstone to the base of the Greenhorn Member (or Bridge Creek Limestone) of the Mancos Formation.

9. Horizontal Oil wells can be located anywhere in the new pool so long as no portion of the completed interval is closer than 330 feet to the outer boundary of the pool.

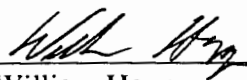
10. To afford to the owner(s) of each property in the pool the opportunity to produce their just and equitable share of the oil in the pool, to prevent reduced recovery which might result from the drilling of too few wells and to otherwise prevent waste and protect correlative rights, the new horizontal oil pool shall be developed on 320-acre spacing units.

11. Pre-approval of two 160 acre non-standard proration units in section 16, T23N, R6W and in section 15, T23N, R7W should be allowed for ease of permitting and development of the resource.

12. Creation of this new Mancos oil pool for horizontal wells in the approved Project Area will enable more orderly development of this resource with less waste and continued protection of correlative rights.

13. Creation of this new Mancos oil pool for horizontal wells in the approved Project Area will allow for regulatory ease in reporting production.

14. The new Mancos oil pool for horizontal well development should be named the "Northeast Chaco Horizontal Well Oil Pool".



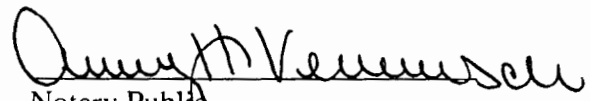
William Hoppe

SUBSCRIBED AND SWORN before me this 31 day of July, 2014.



OFFICIAL SEAL
AMY H. VERMERSCH
NOTARY PUBLIC
STATE OF NEW MEXICO

My commission expires 2/25/16


Notary Public

My Commission Expires:

February 25, 2016