

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

**APPLICATION OF WPX ENERGY PRODUCTION,
LLC FOR APPROVAL OF AN UNORTHODOX WELL
LOCATION AND 80-ACRE NON-STANDARD SPACING
UNIT IN THE BASIN-MANCOS GAS POOL (97232),
AND APPROVAL OF DOWNHOLE COMMINGLING
OF PRODUCTION FROM THE NAGEEZI GALLUP POOL
(47540) AND THE BASIN MANCOS GAS POOL (97232),
SAN JUAN COUNTY, NEW MEXICO.**

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CASE NO. 14949

APPLICATION

WPX ENERGY PRODUCTION LLC ("WPX") through its undersigned attorneys, hereby makes application for (a) an exception to the provisions of Rules 2(A) and (C) of the Special Rules for the Basin Mancos Gas Pool (Order R-12984) to authorize an unorthodox well location and non-standard spacing unit for a horizontal well in the N/2 SW/4 of Section 16, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico, and (b) an exception to Division Rule 19.15.12.9 to authorize the commingling of production from the Nageezi Gallup Pool and the Basin-Mancos Gas Pool in a horizontal well to be located in the N/2 S/2 of said Section 16. In support of this application, WPX states:

1. WPX holds a state oil and gas lease that covers the S/2 of said Section 16. WPX plans to drill the Lybrook 23-8-16 well as a horizontal well in the N/2 S/2 of Section 16 at a surface location 1491 feet from the South line and 248 feet from the East line (Unit I) and a bottom hole location 2300 feet from the South line and 340 feet from the West line (Unit L).

2. The SW/4 of Section 16 is located the Basin-Mancos Gas Pool (Pool Code 97232) and subject to the Special Rules for the Basin-Mancos Gas Pool created under Order R-12984.

The remained of Section 16 is located in the Nageezi Gallup Pool (Pool Code 47540), an oil pool that is not listed in paragraphs (3) and (4) of Order 12984 and subject to the Division's state-wide rules for oil wells.

3. WPX has been informed that the special rules for the Basin-Mancos Gas Pool require that an oil well drilled in the Basin-Mancos gas pool that is near an oil pool that is not listed in paragraphs (3) and (4) of Order 12984 must conform to the special rules for the Basin-Manos Gas Pool. *See* Appendix A to Order R-12984 (special rules) at Rule 1. These special rules require 320-acre spacing and that wells remain 660 feet from the outer boundary of the spacing unit. *Id.* at Rule 2.

4. The completed interval of the segment of WPX's proposed horizontal well located in the Nageezi Gallup Pool in the N/2 SE/4 of Section 16 will be at a standard location and will have dedicated to it standard spacing units for oil pools comprised of Units J and I. However, the remaining portion of the wellbore located in the Basin-Mancos Gas Pool in the N/2 SW/4 of Section 16 will have dedicated to it a non-standard 80-acre spacing unit comprised of Units K and L instead of the 320-acre spacing unit required by the special pool rules. In addition, the portion of the wellbore in the N/2 SW/4 will be at a non-standard location 340 feet from the outer boundary of the proposed unit instead of 660 feet required by the special rules.

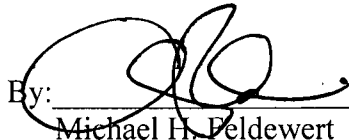
5. With this application, WPX seeks approval of the non-standard location for its proposed horizontal well in the N/2 SW/4 of Section 16 and the creation of an 80-acre non-standard spacing and proration unit in the Basin Mancos Gas Pool comprised of the N/2 SW/4 (Units K and L).

6. With this application, WPX also seeks approval to commingle the production from the Nageezi Gallup Pool and the Basin-Mancos Gas Pool in it proposed horizontal well to be located in the N/2 S/2 of said Section 16.

7. Approval of this application will allow WPX to efficiently and economically recover the reserves underlying the N/2 S/2 of Section 16 and is in the interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, WPX requests that this application be set for hearing before an Examiner of the Oil Conservation Division on February 7, 2013, and after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully Submitted,

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**COUNSEL FOR
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CASE NO. 1494:⁹ Application of WPX Energy Production, LLC for approval of an unorthodox well location and 80-acre non-standard spacing unit in the Basin-Mancos Gas Pool (97232), and approval of downhole commingling of production from the Nageezi Gallup Pool (47540) and the Basin-Mancos Gas Pool (97232), Section 16, Township 23 North, Range 8 West, N.M.P.M., San Juan County, New Mexico. Applicant seeks an exception to the provisions of Rules 2(A) and (C) of the Special Rules for the Basin Mancos Gas Pool (Order R-12984) to authorize an unorthodox well location and 80-acre non-standard spacing unit for a horizontal well in the N/2 SW/4 (Units K and L) of Section 16, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico. Applicant further seeks an exception to Division Rule 19.15.12.9 to authorize the commingling of production from the Nageezi Gallup Pool and the Basin-Mancos Gas Pool in a horizontal well to be located in the N/2 S/2 (Units I, J, K and L) of said Section 16. Applicant's proposed Lybrook 23-8-16 well will be drilled in the N/2 S/2 of Section 16 at a surface location 1491 feet from the South line and 248 feet from the East line (Unit I) and a bottom hole location 2300 feet from the South line and 340 feet from the West line (Unit L). This area is located approximately 8 miles West of Lybrook, New Mexico.