

**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 SAN JUAN COUNTY, NEW MEXICO.**

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CASE NO. 15067

APPLICATION

WPX ENERGY PRODUCTION, LLC, ("WPX") through its undersigned attorneys, hereby files this application with 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 N/2 of Section 9, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico; (2) pooling all mineral interests in the Mancos formation, Nageezi Gallup Oil Pool, underlying this acreage; and (3) authorizing an unorthodox well location. In support of its application, WPX states:

1. WPX (OGRID No. 120782) is a working interest owner in the S/2 N/2 of Section 9 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 2308-09A 146H Well**, which will be horizontally drilled from a surface location 930 feet from the North Line and 222 feet from the East line (Unit A) to a non-standard bottom hole location 2274 feet from the North line and 230 feet from the West line (Unit E) of Section 9.

3. The Nageezi Gallup Oil Pool is governed by the state-wide rules for Oil Well Spacing and Location which require a well to be no closer than 330 feet to the outer

boundary of the spacing unit. Rules 19.15.15.13(B) and 19.15.4.12(A)2 NMAC allow the director to grant an exception to the well location requirements.

4. The proposed **Chaco 2308-09A 146H Well** will be unorthodox because it encroaches on the spacing and proration units to the West (Unit H; Sec. 8, 23N 8W) and Southwest (Unit I; Sec. 8, 23N 8W). The bottom hole location is closer than 330 feet to the West and the hypotenuse is only 444 feet from the Southwest which is less than the required distance of 467 feet.

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

6. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

7. In order to permit WPX to obtain it's just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard 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 December 19, 2013, and, after notice and hearing as required by law, the Division enter an order:

- A. Creating a 160-acre non-standard spacing and proration unit in the Mancos formation, Nageezi Gallup Oil Pool, comprised of the S/2 N/2 of Section 9, Township 23 North, Range 8 West, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;

- C. Designating WPX Energy Production, LLC operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing WPX Energy Production, LLC to recover its costs of drilling, equipping and completing the well;
- E. 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;
- F. 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; and
- G. Approving an unorthodox well location that encroaches on the spacing and proration units to the West and Southwest.

Respectfully submitted,

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**ATTORNEYS FOR
WPX ENERGY PRODUCTION, LLC**

CASE 15067:

Application of WPX Energy Production, LLC for a non-standard spacing and proration unit, compulsory pooling and unorthodox well location, San Juan 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 N/2 of Section 9, Township 23 North, Range 8 West, NMPM, San Juan County; (2) pooling all mineral interests in the Mancos formation, Nageezi Gallup Oil Pool, underlying this acreage; and (3) authorizing an unorthodox bottom hole location. Said non-standard unit is to be dedicated to applicant's proposed **Chaco 2308-09A 146H Well**, which will be horizontally drilled from a surface location in the NE/4 NE/4 (Unit A) to a non-standard bottom hole location in the SW/4 NW/4 (Unit E) of Section 9. The completed interval for this well will commence in the SE/4 NE/4 (Unit H) of Section 9 and will be non-standard in the SW/4 NW/4 (Unit E). 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. Said area is located approximately 3 miles southeast of Nageezi, New Mexico.