

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

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

CASE NO. 15070

APPLICATION

WPX ENERGY PRODUCTION, LLC ("WPX") through its undersigned attorneys, hereby makes application for an order (1) creating a non-standard 80-acre spacing and proration unit in the Basin Mancos Gas Pool comprised of the S/2 SW/4 Section 16, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico, and authorizing an unorthodox well location in this spacing unit; (2) creating a non-standard 80-acre spacing and proration unit in the Nageezi Gallup Pool comprised of the S/2 SE/4 of Section 16 and pooling all mineral interests in this pool underlying this acreage; and (3) granting an exception to Division Rule 19.15.12.9 authorizing the downhole commingling of production from the Nageezi Gallup Pool and the Basin-Mancos Gas Pool in a horizontal well to be located in the S/2 S/2 of Section 16. In support of this application, WPX states:

1. WPX has a leasehold interest in the S/2 S/2 of said Section 16 and has the right to drill thereon.
2. The N/2 and the SE/4 of Section 16 are located in the Nageezi Gallup Pool (Pool Code 47540) and subject to the state-wide rules governing oil wells (19.15.15.9 NMAC).

3. The SW/4 of Section 16 is located in 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. 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. WPX has proposed to drill the Chaco 2308-16I 148H well as a horizontal well in the S/2 S/2 of Section 16 at a surface location 1500 feet from the South line and 228 feet from the East line (Unit I) with a penetration point at 380 feet from the South line and 380 feet from the East line (Unit P) and a bottom hole location 380 feet from the South line and 380 feet from the West line (Unit M).

5. WPX proposes to dedicate a portion of the completed interval of the proposed horizontal well to a non-standard 80-acre spacing-unit in the Nageezi Gallup Pool comprised of the S/2 SE/4 of Section 16.

6. 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 proposed 80-acre non-standard spacing and proration unit in the Nageezi Gallup Pool.

7. The pooling of interests in the S/2 SE/4 will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

8. The remaining portion of the completed interval for the proposed Chaco 2308-16I 148H well will be located in the Basin-Mancos Gas Pool in the S/2 SW/4 of Section 16 and be at a non-standard location 380 feet from the outer boundary of the proposed unit instead of 660 feet as required by the special rules.

9. Accordingly, WPX seeks the creation of not only a non-standard 80-acre spacing and proration unit in the Nageezi Gallup Pool comprised of the S/2 SE/4, but also the creation of

an 80-acre non-standard spacing and proration unit in the Basin Mancos Gas Pool comprised of the S/2 SW/4 (Units M and N) and approval of a non-standard location in the S/2 SW/4 of Section 16.

10. WPX also seeks approval to commingle the production from the Nageezi Gallup Pool and the Basin-Mancos Gas Pool in its proposed horizontal well to be located in the S/2 S/2 of said Section 16. Since the ownership between the Nageezi Gallup Pool and the Basin Mancos Gas Pool are not identical, WPX has sent notice of its application to all interest owners in the subject spacing units pursuant to 19.15.12.11(C)1(b) NMAC.

11. Under Administrative Orders NSP-1959, NSL-6744 and DHC-4602, the Division has previously approved a non-standard 80-acre spacing unit in the Basin Mancos Gas Pool comprised of N/2 SW/4 Section 16, allowed for an unorthodox well location in this gas pool, and approved the commingling of production from the Basin Mancos Gas Pool and the Nageezi Gallup Pool for the Lybrook 23-8-16 Well No. 201H (API No. 30-045), a horizontal well that has been drilled and completed in the N/2 S/2 of Section 16.

12. Approval of this application will allow WPX to efficiently and economically recover the reserves underlying the S/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 December 5, 2013, and after notice and hearing as required by law, that the Division issue an order:

- a. creating a non-standard 80-acre spacing and proration unit in the Basin Mancos Gas Pool comprised of the S/2 SW/4 Section 16 and approving an unorthodox well location in this spacing and proration unit;

- b. creating a non-standard 80-acre spacing and proration unit in the Nageezi Gallup Pool comprised of the S/2 SE/4 of Section 16 and pooling all mineral interests in this acreage;
- c. Designating WPX Energy Production, LLC operator of these non-standard spacing units 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. Granting an exception to Division Rule 19.15.12.9 authorizing the commingling of production from the Nageezi Gallup Pool and the Basin-Mancos Gas Pool in a horizontal well to be located in the S/2 S/2 of Section 16.

Respectfully Submitted,

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CASE NO. 15078 Application Of WPX Energy Production, LLC For An 80-Acre Non-Standard Spacing Unit In The Basin-Mancos Gas Pool (97232) And Approval Of An Unorthodox Well Location In This Spacing Unit; Approval Of An 80-Acre Non-Standard Spacing Unit In The Nageezi Gallup Pool (47540) And Compulsory Pooling; And Approval To Downhole Commingle Production From The Nageezi Gallup Pool (47540) And The Basin Mancos Gas Pool (97232), San Juan County, New Mexico. Applicant seeks an order (1) creating a non-standard 80-acre spacing and proration unit in the Basin Mancos Gas Pool comprised of the S/2 SW/4 Section 16, Township 23 North, Range 8 West, NMPM, San Juan County, New Mexico, and authorizing an unorthodox well location in this spacing unit; (2) creating a non-standard 80-acre spacing and proration unit in the Nageezi Gallup Pool comprised of the S/2 SE/4 of Section 16 and pooling all mineral interests in this pool underlying this acreage; and (3) approving the downhole commingling of production from the Nageezi Gallup Pool and the Basin-Mancos Gas Pool in applicant's proposed Chaco 2308-161 148H to be drilled in the S/2 S/2 of Section 16. Applicant's proposed well will be have a surface location 1500 feet from the South line and 228 feet from the East line (Unit I) with a penetration point located 380 feet from the South line and 380 feet from the East Line (Unit P) and a bottom hole location 380 feet from the South line and 380 feet from the West line (Unit M). 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 area is located approximately 8 miles West of Lybrook, New Mexico.