

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

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APPLICATION OF WPX ENERGY FOR APPROVAL OF A 9,238 ACRE PROJECT AREA COMPRISED OF ACREAGE SUBJECT TO A COMMUNITIZATION AGREEMENT; FOR A "REFERENCE CASE" AUTHORIZING WITHIN THE PROPOSED PROJECT AREA THE DOWNHOLE COMMINGLING OF PRODUCTION FROM THE ESCRITO GALLUP ASSOCIATED POOL, COUNSELORS GALLUP DAKOTA OIL POOL AND LYBROOK GALLUP OIL POOL; AND FOR AN EXCEPTION TO THE WELL LOCATION REQUIREMENTS WITHIN THE PROPOSED PROJECT AREA, RIO ARRIBA AND SANDOVAL COUNTIES, NEW MEXICO.

CASE NO. 15102

APPLICATION

WPX ENERGY PRODUCTION, LLC, ("WPX") through its undersigned attorneys, files this application with the Oil Conservation Division for an order (1) approving a 9,238 acre project area comprised of acreage subject to a communitization agreement covering the acreage described below in Rio Arriba and Sandoval Counties, New Mexico; (2) establishing a "reference case" authorizing within the proposed project area the downhole commingling of production from the Escrito Gallup Associated Pool (22619), the Counselors Gallup Dakota Oil Pool (13379), and the Lybrook Gallup Oil Pool (42289); and (3) authorizing wells to be located anywhere within the proposed project area so long as the completed interval is no closer than 330 feet from the outer boundary of the proposed project area. In support of its application, WPX states:

1. WPX (OGRID No. 120782) is a working interest owner in portions of the following acreage containing approximately 9,238 acres of federal, state and fee lands (the “subject acreage”):

**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

2. The Bureau of Land Management, the New Mexico State Land Office, and working interest owners in the subject area have given preliminary approval to combine the acreage under a federal communitization agreement and a joint operating agreement.

3. Division Rule 19.15.16.7.L recognizes state exploratory units and participating areas within federal units as approved “project areas” for purposes of efficient horizontal well development. However, this rule currently does not expressly recognize communitized areas as “project areas” for horizontal well development.

4. Approval of the proposed communitized area as a “project area” will allow WPX to locate and efficiently orient its proposed horizontal wells for the

maximum recovery of hydrocarbons in a manner similar to that currently allowed for state exploratory units and participating areas within federal units.

5. Approving the communitized area as a single project area is consistent with the intent of a “project area” expressed in Rule 19.15.16.7.L(2).

6. Pursuant to Rule 19.15.16.15.E, WPX will provide notice of this application to the affected persons in the spacing units that adjoin the proposed project area.

7. WPX also seeks approval to downhole commingle within the proposed project area production from the Escrito Gallup Associated Pool (22619), the Counselors Gallup Dakota Oil Pool (13379), and the Lybrook Gallup Oil Pool (42289).

8. In accordance with Subsection D(1) of Rule 19.15.12.11, WPX will provide notice of this application to the interest owners within the proposed project area and demonstrate at hearing that the conditions set forth in Subsection A of Rule 19.15.12.11 are met.

9. WPX further seeks approval for exceptions to the Special Rules and Regulations for the Counselors Gallup Dakota Oil Pool (adopted by Order R-7034 in 1982 and made permanent by Order R-7034-B in 1986) and the General Rules and Regulations Governing all Associated Pools, including the Escrito Gallup Associated Pool (adopted by Order R-5353 in 1977).

10. The Special Rules and Regulations for the Counselors Gallup Dakota Oil Pool require wells to be located no closer than 660 feet from the outer boundary of the spacing unit, no closer than 330 feet from the quarter-quarter section line, and no closer than 1320 feet to another well producing from the same formation. Oil wells drilled in

the Escrito Gallup Associated Pool may be located no closer than 790 feet from the quarter section line or 330 feet from the quarter-quarter section line.

11. In contrast, wells drilled in the Lybrook Gallup Oil Pool may be located 330 feet from the outer boundary of the spacing unit pursuant to Statewide Rules.

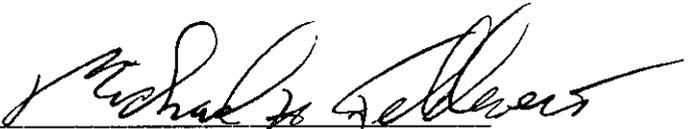
12. In order to allow for the most efficient horizontal development pattern, and to effectively drain the reserves in the proposed project area, WPX seeks an exception to the applicable setback requirements to allow for wells to be located anywhere within the proposed project area so long as the completed interval remains at least 330 feet from the outer boundary of the proposed project area.

13. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, WPX Energy Production, LLC requests that this application be set for hearing before an Examiner of the Oil Conservation Division on March 6, 2014, and that after notice and hearing as required by law, the Commission enter its order granting this application.

Respectfully submitted,

HOLLAND & HART, LLP

By: 

Michael H. Feldewert  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208  
(505) 988-4421  
(505) 983-6043 Facsimile  
[mfeldewert@hollandhart.com](mailto:mfeldewert@hollandhart.com)

**ATTORNEYS FOR  
WPX ENERGY PRODUCTION, LLC**

CASE 15102: **Application Of WPX Energy For Approval Of A 9,238 Acre Project Area Comprised Of Acreage Subject To A Communitization Agreement; For A "Reference Case" Authorizing Within The Proposed Project Area The Downhole Commingling Of Production From The Escrito Gallup Associated Pool, Counselors Gallup Dakota Oil Pool And Lybrook Gallup Oil Pool; And For An Exception to Well Location Requirements Within The Proposed Project Area, Rio Arriba And Sandoval Counties, New Mexico.** Applicant in the above-styled cause seeks an order (1) approving a 9,238 acre project area comprised of acreage subject to a communitization agreement covering parts or all of Sections 5 through 8, 16 through 19 of Township 23 North, Range 6 West, and parts or all of Sections 1, 11 through 15 and 24 of Township 23 North, Range 7 West, NMPM, Rio Arriba and Sandoval Counties, New Mexico; (2) establishing a "reference case" authorizing within the proposed project area the downhole commingling of production from the Escrito Gallup Associated Pool (22619), the Counselors Gallup Dakota Oil Pool (13379), and the Lybrook Gallup Oil Pool (42289); and (3) authorizing wells to be located anywhere within the proposed project area so long as the completed interval is no closer than 330 feet from the outer boundary of the proposed project area. The subject acreage is located approximately 1 mile North of Counselor, New Mexico.