

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

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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. 15122

OCD'S APPLICATION FOR NOMENCLATURE HEARING TO FORM A NEW OIL POOL FOR HORIZONTAL WELL DEVELOPMENT

Comes now the Oil Conservation Division (OCD) and respectfully request a nomenclature hearing be set for the formation of a new Mancos oil pool for horizontal well development to be named the "Northeast Chaco Horizontal Well Oil Pool" and states:

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) 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

(b) The communitized interval for the Project Area consists of the Mancos formation, defined as from the top of the Mancos Formation (base of Mesaverde Group) at a depth of 4,542 feet down to the stratigraphic equivalent of the top of the Greenhorn Formation at a depth of 6,289 feet as encountered in the Rincon No. 20 well in Section 11, Township 23 North, Range 7 West, NMPM (API No. 30-039-26768).

(c) Horizontal wells drilled in the project area are exempt from the state wide oil rules governing the Lybrook Gallup Oil Pool (42289), the Special Pool rules for the Councilors Gallup Dakota Oil Pool (13379), and the General Rules and Regulations for all associated oil and gas pools governing the Escrito Gallup Associated Pool (22619).

(d) Horizontal wells drilled within the Project Area may be drilled anywhere within the Project Area so long as the no portion of the completed interval is closer than 330 feet to the outer boundary of the Project Area unless allowed by the Division pursuant to 19.15.15.13 NMAC.

(e) Any operator outside of the Project Area shall be allowed to file with the Division for approval to locate an oil well as close as 330 feet to the outer-boundary of the Project Area without objection of the CA operator.

(f) The Division shall proceed to create a new oil pool for horizontal development within the Mancos formation for the Project Area.

1. This new oil pool shall apply to existing and future horizontal wells in the Mancos formation within the Project Area.
2. All existing and future vertical wells in the Mancos formation within the Project Area shall remain dedicated and subject to the existing Gallup oil pools in the Project Area.

3. The proposed new horizontal oil pool for the Project Area will be formed by the Division through a nomenclature hearing.
4. Upon the creation of the new horizontal oil pool, the operators of existing horizontal wells within the Project Area shall file the necessary forms with the Division to dedicate those wells to the new oil pool.

(g) The request by the Applicant to establish a “reference case” authorizing within the Project Area or Communitized Area, the down-hole commingling of production from the Escrito Gallup Associated Pool (22619), the Counselors Gallup Dakota Oil Pool (13379), and the Lybrook Gallup Oil Pool (42289) is dismissed.

(h) All data needed by the Division regarding well interference concerning setbacks and internal well spacing shall be made available to the Division as soon as available and subject to confidentiality.

(i) The Order is contingent upon final approval of the proposed Communitization Agreement by the BLM, NMSLO and the formation of the new horizontal oil pool by Division hearing and order.

(j) The Order is binding on all current and future operators of the Project Area and its associated CA and horizontal oil pool.

3. The proposed Communitization Agreement by the BLM and NMSLO refers to the Project Area as the “Northeast Chaco Communitization Agreement.”

4. The Northeast Chaco Communitization Agreement will be signed by all relevant parties prior to this requested nomenclature hearing.

5. Creation of the “Northeast Chaco Horizontal Well Oil Pool” will enable more orderly development of this resource with less waste and continued protection of correlative rights. It will also allow for regulatory ease in reporting production.

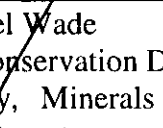
7. None of the working interest owners within the Project Area object to the creation of a new oil pool for horizontal well development in the area.

8. The proposed horizontal oil pool would coincide with the boundaries of the Project Area.

9. Approval of this application is in the interests of conservation, the prevention of waste and the protection of correlative rights

WHEREFORE, the OCD requests an order be entered granting the formation of the "Northeast Chaco Horizontal Well Oil Pool."

Respectfully Submitted,



Gabriel Wade
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Energy, Minerals and Natural Resources
Department
1220 S. St. Francis Drive
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Case 15172

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
NOMENCLATURE ADVERTISEMENT FOR HEARING JULY 24, 2014

In the matter of the application of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department upon it's own motion for an order creating a new Mancos oil pool for horizontal well development solely within the WPX Project Area as defined in Case No. 15102, Order No. R-13817, in Sandoval and Rio Arriba Counties, New Mexico, (hereby the "Northeast Chaco Horizontal Well Oil Pool") and giving notice to all persons and parties interested in the subject matter thereof to show cause why such a "Northeast Chaco Horizontal Well Oil Pool" should not be made.

- (a) CREATE a new pool solely within the WPX Project Area as defined in Case No. 15102, Order No. R-13817, in Sandoval and Rio Arriba Counties, New Mexico classified as an oil pool for horizontal well development designated as the "Northeast Chaco Horizontal Well Oil Pool." The horizontal limits of said pool would comprise:

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

The vertical limits of this pool consists of the Mancos formation, defined as from the top of the Mancos Formation (base of Mesaverde Group) at a depth of 4,542 feet down to the stratigraphic equivalent of the top of the Greenhorn Formation at a depth of 6,289 feet as

encountered in the Rincon No. 20 well in Section 11, Township 23 North, Range 7 West, NMPM (API No. 30-039-26768).

All other information can be found in OCD Case No. 15102, OCD Order No. R-13817, and OCD Application for Nomenclature Hearing, OCD Case No. _____.