

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

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**(Reopened) CASE NO. 15844  
ORDER NO. R-279-B**

**AMENDED APPLICATION OF XTO ENERGY INC. FOR APPROVAL OF  
EXPANSION OF THE JAMES RANCH UNIT, EDDY COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case came on for hearing at 8:15 a.m. on November 8, 2017, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 1<sup>st</sup> day of February, 2018, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

**FINDS THAT:**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) XTO Energy, Inc. ("XTO or Applicant") has made application to amend Order No. R-279 to expand the geographic area of the James Ranch Unit.
- (3) Under Division Order No. R-279 issued on February 17, 1953 in Case No. 472, the Division approved the James Ranch Unit initially comprising 20,656.98 acres, more or less, of Federal, State, and Private lands in Eddy County.
- (4) The revised Unit Agreement for the expanded James Ranch Unit has been approved by a sufficient percentage of the interest owners within the proposed expanded Unit Area to provide effective control of unit operations.
- (5) The Unitized Interval includes all oil and gas in any and all formations of the unitized lands and is unitized under the terms of this agreement and herein are called "unitized substances".

(6) The Unit Area, referred to as either "unitized land" or "land subject to this agreement" for the expanded James Ranch Unit will consist of 28,319.09 acres, more or less, and will encompass the following Federal, Private, and State lands in Eddy County, New Mexico:

**TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY**

Section 25:	All
Section 26:	All
Section 27:	S/2
Section 31:	Lots 1-8; E/2 W/2; E/2 (All)
Section 32:	All
Section 33:	All
Section 34:	All

**TOWNSHIP 22 SOUTH, RANGE 29 EAST, NMPM, EDDY COUNTY**

Section 1:	Lots 1-4; S/2 N/2; S/2 (All)
Section 11:	All
Section 12:	All
Section 13:	All
Section 14:	All

**TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY**

Section 3:	Lots 1-4; S/2 N/2; S/2 (All)
Section 4:	Lots 1-4; S/2 N/2; S/2 (All)
Section 5:	Lots 1-4; S/2 NW/4; S/2 (All)
Section 6:	Lots 1-7; SE/4 NW/4; E/2 SW/4; SE/4; S/2 NE/4 (All)
Section 7:	Lots 1-4; E/2 W/2; E/2 (All)
Section 8:	All
Section 9:	All
Section 10:	All
Section 12:	N/2 SE/4; SW/4 SE/4; S/2 SW/4
Section 13:	NE/4 NW/4; W/2 W/2
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	All
Section 18:	Lots 1-4; E/2 W/2; E/2 (All)
Section 19:	Lots 1-4; E/2 W/2; E/2 (All)
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	All

Section 24:	W/2 NW/4
Section 26:	All
Section 27:	All
Section 28:	All
Section 29:	All
Section 30:	Lots 1-4; E/2 W/2; E/2 (All)
Section 33:	E/2
Section 34:	All
Section 35:	All
Section 36:	All

**TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM, EDDY COUNTY**

Section 7:	Lot 2
Section 31:	Lots 1-4; E/2 W/2; E/2 (All)

**TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY**

Section 1:	Lots 1-4; S/2 NE/4; SE/4 (All)
Section 2:	Lots 1-4 (N/2 N/2 equivalent)

**TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM, EDDY COUNTY**

Section 5:	Lot 4; SW/4 NW/4; W/2 SW/4
Section 6:	Lots 1-7; SE/4 NW/4; E/2 SW/4; S/2 NE/4; SE/4 (All)
Section 7:	Lots 1-4; E/2 W/2; SE/4 (All)
Section 8:	W/2
Section 17:	NW/4
Section 18:	Lots 1-2; E/2 NW/4; NE/4

(7) XTO, as successor operator of the Unit, will remain the designated operator under the revised Unit Agreement and the effective date of the expanded James Ranch Unit will remain the same as designated in Order No. R-279.

(8) Applicant appeared at the hearing and supplemented the information with the following testimony:

- (a) The proposed Unit will expand to include entire Section 25, entire Section 26, S/2 Section 27, entire Section 31, entire Section 32, entire Section 33, and entire Section 4, all in Township 21 South, Range 30 East. The proposed Unit will expand into entire Section 1, entire Section 11, entire Section 12, entire Section 13 and entire Section 14, all in Township 22 South, Range 29 East. Lastly, it will expand into entire Section 3, entire Section 4, entire Section 5, entire Section 6, entire Section 7, entire Section 8, entire Section 9, entire

Section 10, W/2 NW/4 of Section 17, and entire Section 18, all in Township 22 South, Range 30 East;

- (b) the expanded Unit will be bound to the North and West by the Big Eddy Unit;
- (c) Applicant has received preliminary approval of the Unit Agreement for the expanded James Ranch Unit from the Bureau of Land Management (BLM) and New Mexico State Land Office (NMSLO). The BLM preliminary letter required the Applicant to drill four obligation wells;
- (d) the Unit was contracted on November 30, 1979 because a portion of the original Unit was to be overlain by the Waste Isolation Pilot Project. This acreage is not part of the expanded Unit;
- (e) the Unit is within known potash reserves; as a result, the Applicant has worked with, and will continue to work with the BLM to obtain established drill islands;
- (f) the resulting Unit area includes 30 federal tracts comprising approximately 80 percent of the Unit. The New Mexico State Land Office included 13 tracts which comprise 19 percent of the Expanded Unit. Private lands include four tracts which comprises less than one percent of the total acreage;
- (g) Applicant stated that 85 percent of the working interest owners has approved the expanded Unit;
- (h) notice of this application was provided in the expanded Unit Area to all working interest owners, royalty interest owners, and overriding royalty interest owners. Notice was also provided to the affected parties in those lands surrounding the expanded Unit Area;
- (i) Applicant has not drilled the initial test well within the expanded Unit;
- (j) there are no faults, pinch-outs, or other geologic impediments that isolate lands within the Unit Area. Further, within the Unit are multiple targets in the Delaware Mountain group, Bone Spring formation, Wolfcamp formation, and Pennsylvanian shales.
- (k) The pool designation for the expanded Unit currently include only Wildcat Pools;
- (l) the initial obligation well will target the 2<sup>nd</sup> Bone Spring sands;

- (m) the expanded Unit includes all depths;
- (n) Applicant will apply to the BLM for a separate participating area for each pool that is developed;
- (o) Applicant provided notice to parties subject to the Unit by certified mail, return receipt requested, and by publication before hearing in a newspaper of general circulation in Eddy County, New Mexico, the county in which the property is located for those parties for whom return receipts were not returned; and
- (p) those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

(9) MRC Permian Company and MRC Permian LKE Company, LLC (collectively, "MRC") made an appearance through counsel, and presented the following testimony:

- (a) The James Ranch Unit is an exploratory unit, and MRC cannot be forced to ratify the unit. However, the inclusion of MRC's acreage within the expanded unit, even if it is not committed, gives the Applicant the upper hand in obtaining operation of wells containing MRC acreage;
- (b) MRC owns approximately 1280 acres within the proposed expanded Unit;
- (c) MRC would like its acreage to be excluded from the expanded Unit, or make an acreage trade with the Applicant;
- (d) MRC prefers to drill and operate leases in which it owns a majority or the entire working interest;
- (e) MRC prefers to be subject to a modern operating agreement on its acreage.

(10) No other party appeared at the hearing, or otherwise opposed the granting of this application.

(11) Except for changes to Exhibits A and B to the Unit Agreement, all other provisions of the Unit Agreement remain the same as prior to the expansion, including the effective date.

(12) Hearing Order No. R-279-A issued on December 19, 1997 approved expansion of the Atoka formation Participating Area within the Unit.

(13) Subsequent to the hearing, XTO provided an updated Exhibit B which included all of the acreage in the expanded Unit.

(14) All ordering paragraphs in Division Order No. R-279 should be vacated and replaced as detailed below.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of XTO Energy, Inc. to amend Division Order No. R-279 to expand the geographic area of the James Ranch Unit is hereby approved.

(2) All ordering paragraphs of Order No. R-279 are hereby vacated from and, after the effective date of this order, replaced with the following.

(3) The James Ranch Unit shall comprise 28,319.08 acres, more or less, of Federal, State, and Private lands in Eddy County, New Mexico, and be described as follows:

**TOWNSHIP 21 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY**

Section 25:	All
Section 26:	All
Section 27:	S/2
Section 31:	Lots 1-8; E/2 W/2; E/2 (All)
Section 32:	All
Section 33:	All
Section 34:	All

**TOWNSHIP 22 SOUTH, RANGE 29 EAST, NMPM, EDDY COUNTY**

Section 1:	Lots 1-4; S/2 N/2; S/2 (All)
Section 11:	All
Section 12:	All
Section 13:	All
Section 14:	All

**TOWNSHIP 22 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY**

Section 3:	Lots 1-4; S/2 N/2; S/2 (All)
Section 4:	Lots 1-4; S/2 N/2; S/2 (All)
Section 5:	Lots 1-4; S/2 N/2; S/2 (All)
Section 6:	Lots 1-7; SE/4 NW/4; E/2 SW/4; SE/4; S/2 NE/4 (All)
Section 7:	Lots 1-4; E/2 W/2; E/2 (All)
Section 8:	All
Section 9:	All

Section 10:	All
Section 12:	N/2 SE/4; SW/4 SE/4; S/2 SW/4
Section 13:	NE/4 NW/4; W/2 W/2
Section 14:	All
Section 15:	All
Section 16:	All
Section 17:	All
Section 18:	Lots 1-4; E/2 W/2; E/2 (All)
Section 19:	Lots 1-4; E/2 W/2; E/2 (All)
Section 20:	All
Section 21:	All
Section 22:	All
Section 23:	All
Section 24:	W/2 NW/4
Section 26:	All
Section 27:	All
Section 28:	All
Section 29:	All
Section 30:	Lots 1-4; E/2 W/2; E/2 (All)
Section 33:	E/2
Section 34:	All
Section 35:	All
Section 36:	All

**TOWNSHIP 22 SOUTH, RANGE 31 EAST, NMPM, EDDY COUNTY**

Section 7:	Lot 2
Section 31:	Lots 1-4; E/2 W/2; E/2 (All)

**TOWNSHIP 23 SOUTH, RANGE 30 EAST, NMPM, EDDY COUNTY**

Section 1:	Lots 1-4; S/2 NE/4; SE/4 (All)
Section 2:	Lots 1-4

**TOWNSHIP 23 SOUTH, RANGE 31 EAST, NMPM, EDDY COUNTY**

Section 5:	Lot 4; SW/4 NW/4; W/2 SW/4
Section 6:	Lots 1-7; SE/4 NW/4; E/2 SW/4; S/2 NE/4; SE/4 (All)
Section 7:	Lots 1-4; E/2 W/2; E/2 (All)
Section 8:	W/2
Section 17:	NW/4
Section 18:	Lots 1-2; E/2 NW/4; NE/4

(4) This order shall be effective on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the expanded

James Ranch Unit is obtained by Applicant from the BLM and NMSLO. Copies of the final approval letters by the BLM and NMSLO shall be provided to the Division.

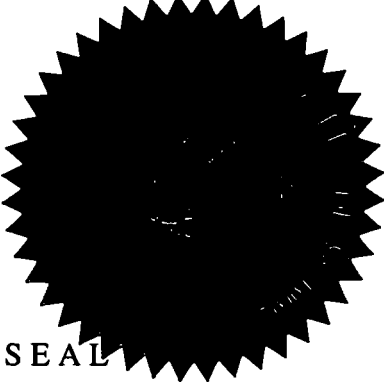
(5) XTO Energy, Inc. (OGRID 5380) is hereby designated the Unit operator.

(6) The plan contained within the James Ranch Unit Agreement for the development and operation of the Unit is hereby approved in principle as a proper conservation measure. All plans of development for the James Ranch Unit shall be submitted annually to the Division for review.

(7) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit Area, the Unit operator shall file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(8) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
HEATHER RILEY  
Director