

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

**APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF
THE SOUTH ESCAVADA UNIT AND FOR ALLOWANCE OF 330 FOOT
SETBACKS FROM THE EXTERIOR OF THE PROPOSED UNIT, SANDOVAL
COUNTY, NEW MEXICO**

**CASE NO 15645
ORDER NO R 14347**

ORDER OF THE DIVISION

BY THE DIVISION

This case came on for hearing at 8 15 a m on March 16 2017 at Santa Fe New Mexico before Examiner William V Jones

NOW on this 15th day of May 2017 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) WPX Energy Production LLC (WPX) seeks

(a) Approval of the South Escavada Unit (the Unit) a Federal/Indian Allotted exploratory unit comprising 4 723 82 acres more or less of Federal and Indian Allotted lands in Sandoval County New Mexico and

(b) Authority to drill horizontal wells within the Unit at any location provided that the completed intervals are no closer than 330 feet to any outer boundary of the Unit

(3) The Unit area will consist of the following described acreage in Sandoval County New Mexico

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM

Section 13 SE/4
Section 14 SW/4
Section 15 S/2
Section 22 S/2

Section 23 N/2 SW/4 W/2 SE/4
Section 24 N/2
Section 26 NW/4
Section 27 All
Section 28 SE/4

TOWNSHIP 22 NORTH, RANGE 6 WEST, NMPM

Section 17 S/2
Section 18 Lots 3 4 E/2 SW/4 SE/4
Section 19 Lots 1 4 E/2 W/2 E/2
Section 20 All

(4) The Unitized Substances as defined in the proposed Unit Agreement include all oil and gas from the top of the Mancos formation at a measured depth of 3 715 feet down to the stratigraphic equivalent of the depth of 5 575 feet as encountered in the Sandoval #1 23 well (API 30 043 05150) located in Section 23 Township 22 North Range 7 West NMPM This depth interval is hereinafter called the Unitized Interval

(5) The Unit will be developed and operated as a single Participating Area with all tracts participating in all wells from inception and therefore will constitute a single Project Area in accordance with Division Rule 19 15 16 7(L)(2) NMAC

(6) The Unit currently encompasses a portion of the Rusty Gallup Pool (Pool Code 52860) The balance of the Unit is in a wildcat oil area Applicable spacing rules throughout the Unit Area provide for 330 foot setbacks from spacing unit boundaries

(7) Applicant appeared at hearing through counsel and presented the following testimony

(a) The Unit will consist of four federal tracts comprising 28 82 percent of the Unit acreage and one allotted tract comprising 71 18 percent of the Unit acreage

(b) All interests in the Unit area are expected to be committed to the Unit

(c) The proposed Unit Agreement is the usual federal/allottee exploratory form with the following modifications

i It applies only to horizontal wells with at least 100 feet of lateral length in the Unitized Interval and excludes pre existing and future vertical wells

ii It is limited to the Unitized Interval of the Mancos formation and

iii The entire Unit is treated as undivided with each tract participating as per its acreage dedication in all unit wells

- (d) The Unit agreement has received written preliminary approval from the United States Bureau of Land Management (BLM)
- (e) Applicant has provided notice of this application and hearing and a copy of the proposed unit agreement to operators within the Mancos formation in the spacing units offsetting the Unit area to all working interest owners and Navajo Allottee mineral owners within the unit and to all overriding royalty interest owners
- (f) No faults pinch outs or other geologic impediments exist to prevent the Unitized Interval from being developed by horizontal oil wells
- (g) The available well control demonstrates that the Unitized Interval identified in the type log is laterally continuous across the Unit
- (h) These lands were chosen and are being proposed as the Unit area to facilitate the most efficient economic development
- (i) Applicant expects to reduce surface disturbances by formation of this Unit

(8) Mr Vincent Chee an allottee owner appeared at the hearing but declined the opportunity extended by the examiner to make comments

(9) Bison Oil & Gas II LLC entered an appearance and was represented by counsel at the hearing but did not oppose approval of the application

(10) No other party entered an appearance in the case or indicated any opposition to approval of the application

The Division concludes as follows

(11) Applicant has provided proper and adequate notice of this application and of the hearing

(12) Division Rule 19 15 16 7(C) NMAC defines a Horizontal Well as a directional wellbore with one or more laterals that extend a minimum of 100 feet horizontally in the target zone The South Escavada Unit Agreement contains a restriction allowing only wells containing one or more horizontal laterals completed or recompleted at least 100 feet in distance within the objective formation These definitions are considered equivalent

(13) The Unit will constitute a single Project Area for horizontal oil well development pursuant to Division Rule 19 15 16 7(L)(2) NMAC provided however that the Project Area should be limited to Unit Wells

(14) Unit Wells should be defined as those wells allowed in the Unit Agreement

(15) The geologic evidence presented demonstrates that the entire Unit should be productive within the Unitized Interval

(16) The correlative rights of all interest owners in the Unit will be protected provided the Unit is ultimately fully developed in the Unitized Interval

(17) Approval of the Unit will provide the Applicant flexibility to locate and drill Unit wells to maximize recovery of oil and gas from the Unitized Interval thereby preventing waste and to conduct operations in an effective and efficient manner

(18) The provisions contained within the South Escavada Unit Agreement comply with Division rules

(19) The South Escavada Unit should be approved and should 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 South Escavada Unit is obtained from the Federal Indian Minerals Office (FIMO) and the BLM

(20) The proposed Unit and request for authority to locate horizontal oil wells anywhere within the Unit no closer than 330 feet of the outer boundary of the Unit should be approved

(21) The plan contained within the South Escavada Unit Agreement for the development and operation of the Unit should be approved in principle as a proper conservation measure

IT IS THEREFORE ORDERED THAT

(1) Pursuant to the application of WPX Energy Production LLC (Applicant or WPX) the South Escavada Unit (the Unit) consisting of 4 723 82 acres more or less of Federal and Indian Allotted lands in Sandoval County New Mexico is hereby approved

(2) 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 South Escavada Unit is obtained from the Federal Indian Minerals Office (FIMO) and the Bureau of Land Management (BLM) Copies of the final approval letters signed by the BLM and the FIMO shall be provided to the Division

(3) The Unit shall comprise the following described acreage in Sandoval County New Mexico

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM

Section 13 SE/4
Section 14 SW/4
Section 15 S/2
Section 22 S/2
Section 23 N/2 SW/4 W/2 SE/4
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TOWNSHIP 22 NORTH, RANGE 6 WEST, NMPM

Section 17 S/2
Section 18 Lots 3 4 E/2 SW/4 SE/4
Section 19 Lots 1 4 E/2 W/2 E/2
Section 20 All

(4) WPX Energy Production LLC (OGRID 120782) is hereby designated the Unit operator

(5) Pursuant to the Unit Agreement the Unitized Interval shall extend from the top of the Mancos formation at a measured depth of 3 715 feet down to the stratigraphic equivalent of the depth of 5 575 feet as encountered in the Sandoval #1 23 well (API 30 043 05150) located in Section 23 Township 22 North Range 7 West NMPM

(6) Unit Wells shall be those wells allowed in the Unit Agreement

(7) The Unit shall constitute a single Project Area for horizontal oil well development in the Mancos formation pursuant to Division Rule 19 15 16 7(L)(2) NMAC provided however the Project Area shall be limited to Unit Wells

(8) As per Applicant s request any Unit Well may be drilled anywhere within the Unit provided that no portion of the completed interval of any Unit Well shall be closer than 330 feet to the outer boundary of the Unit or to any uncommitted or partially committed tract unless otherwise approved by the Division pursuant to Division Rule 19 15 15 13 NMAC

(9) Should a new pool for Mancos development be formed that encompasses the area of the South Escavada Unit then the South Escavada Unit Wells shall be incorporated into that new Mancos pool In that event the operator of the South Escavada Unit shall file the necessary forms with the Division to dedicate those wells to the new

pool Any such transfer to a new pool shall not affect the setback provisions of Ordering Paragraph (8) above

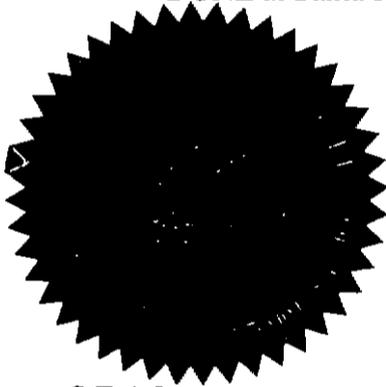
(10) The plan contained within the South Escavada Unit Agreement for development and operation of the Unit is hereby approved in principle as a proper conservation measure All plans of development for the South Escavada Unit shall be submitted to the Division for review

(11) 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 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

(12) Applicant shall provide inter well communication data within the Unit to the Aztec District office of the Division no later than 18 months after the effective date of this order

(13) 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



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DAVID R. CATANACH
Director