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COMMISSIONER OF PUBLIC LANDS

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In re Revised First Expansion of Mancos Participating Area
Rosa Unit
2017 AUG 17 P 2:44
San Juan and Rio Arriba Counties, New Mexico

WPX Energy Production, LLC; NMOCD - Attn: Mr. Daniel Sanchez; RMD – Attn: Mr. Danny Martinez, RMD – Attn: Mr. Roddy Martinez; BLM Farmington – Attn: Mr. Joe Hewitt; OGMD and Units Reader Files

Requested Agency Determination

To: WPX Energy Production, LLC
One Williams Center
Tulsa, OK 74172

NMOCD - Attn: Mr. Daniel Sanchez; RMD – Attn: Mr. Danny Martinez, RMD – Attn: Mr. Roddy Martinez; BLM Farmington – Attn: Mr. Joe Hewitt; OGMD and Units Reader Files

THIS MATTER has come before the Commissioner of Public Lands as a request for an agency determination regarding the rejection of WPX Energy Production, LLC's (WPX) request to approve its Revised First Expansion of the Mancos Participating Area of the Rosa Unit in San Juan and Rio Arriba Counties, New Mexico. Without making any determination as to whether this decision is suitable for a contest before the Commissioner under NMSA 1978, § 19-7-64 and 19.2.15 NMAC, I find that the decision not to approve the Revised First Expansion of the Mancos Participation Area for the Rosa Unit was legal and valid as a decision of the Commissioner, made in accordance with applicable rules and regulations, and in the best interests of the State Land Office and its beneficiaries.

FACTUAL BASIS FOR THE AGENCY DETERMINATION

January 6, 1948 Unit Agreement for the Development and Operation of the Rosa Unit Area

In January 6, 1948, the Unit Agreement for the Development and Operation of the Rosa Unit Area, Counties of San Juan and Rio Arriba, State of New Mexico (the Unit Agreement) was

entered into by owners of working, royalty or other oil or gas interests in the unit area. The Commissioner of Public Lands of the State of New Mexico approved the Unit Agreement and the Parties to the Unit Agreement agreed to be bound by its terms.

WPX is the current Unit Operator for the Rosa Unit. The Mancos Participating Area is one of five participating areas within the Unit. The State Land Office has 14 oil and gas leases located within the Mancos Participating Area.

WPX met with staff at the State Land Office on June 29, 2017 to discuss the expansion of the Mancos Participating Area within the Rosa Unit. It appears that the expansion would result in the Mancos Participating Area nearly doubling in size and the State Land Office owing a royalty refund.

LEGAL ANALYSIS

Commissioner's Authority to Approve Unit Expansions

The Commissioner has statutory authority to approve unit expansions for Unit Agreements to which the State Land Office has approved and is a party thereto. *See* NMSA 1978, §§ 19-10-45 and 19-10-46. The Unit Agreement by its terms, requires the Commissioner's approval for any expansion to a participating area, Section 10 Participation After Discovery, stating, "the Unit Operator shall submit for approval by the Commissioner".

With regard to the expansion, it should be noted that, were it to be approved, the State Land Office would owe a royalty refund of approximately \$216,000. The decision not to approve the expansion of the Mancos Participating Area was a valid exercise of the authority of the Commissioner of Public Lands.

The Commissioner has broad discretion to manage state trust lands in the best interests of the trust. *See King ex rel. Lyons*, 2011-NMSC-004, ¶ 28, 248 P.3d 878; N.M. Const. art. XIII, §

2 (Commissioner “shall select, locate, classify and have the direction, control, care and disposition of all public lands, under the provisions of the acts of congress relating thereto and such regulations as may be provided by law”); NMSA 1978 § 19-1-1 (Commissioner “shall have the management, care, custody, control and disposition [or state trust lands] in accordance with the provisions of this chapter and the law or laws under which such lands have been or may be acquired”).



Aubrey Dunn
Commissioner of Public Lands