

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

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION TO CONSIDER:**

**Case No. 22599
Order No. R-22081**

APPLICATION OF ENDURING RESOURCES, LLC FOR (1) THE CREATION OF THE GREATER LYBROOK UNIT, EFFECTIVE OCTOBER 1, 2021; (2) TO AMEND ORDER NO. R-14051 TO FREEZE THE EXISTING WEST LYBROOK UNIT, EFFECTIVE OCTOBER 1, 2021; (3) TO AMEND ORDER NO. R-14084 TO FREEZE THE EXISTING KIMBETO WASH UNIT, EFFECTIVE OCTOBER 1, 2021; (4) TO EXPAND THE WEST LYBROOK; MANCOS POOL TO INCLUDE THE PROPOSED GREATER LYBROOK UNIT AND KIMBETO WASH UNIT AREAS; AND (5) TO CONTRACT THE BASIN MANCOS GAS POOL OUTSIDE THE PROPOSED GREATER LYBROOK UNIT AND KIMBETO WASH UNIT AREAS, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This case came for hearing March 3, 2022, at Santa Fe, New Mexico, before Examiner Dean McClure.

NOW, 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 Oil Conservation Division ("OCD") has jurisdiction of this case and its subject matter.

- (2) Enduring Resources, LLC ("Applicant") is seeking approval from the U.S. Bureau of Land Management ("BLM") of the Greater Lybrook Unit ("Unit") consisting of 18,086.44 acres of the following federal and Indian Allotment lands situated in San Juan County, New Mexico ("Unit Area"):

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM

Section 6: S/2 S/2

Sections 7 and 8: All

Sections 17 through 19: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 11: SW/4 and E/2

Sections 12 through 15: All

Sections 17 through 30: All

Section 31: NE/4

Sections 32 through 35: All

(3) Under the proposed Greater Lybrook Unit Agreement, the Unitized Interval will be defined as all oil and gas in the interval from the stratigraphic equivalent of the top of the Mancos Shale found at a measured depth of 3,933 feet beneath the surface down to the stratigraphic equivalent of a depth of 5,226 feet as encountered in the WPX Energy Nageezi Federal #1 well in Section 19, Township 23 North, Range 8 West, N.M.P.M. (API #30-045-26303).

(4) The proposed Greater Lybrook Unit Agreement will apply only to horizontal and multi-lateral wells drilled after the effective date of October 1, 2021, and all existing vertical wells and horizontal wells drilled prior to October 1, 2021, within the Unit Area are excluded. These wells were identified on Exhibit D in the Unit Agreement.

(5) The Applicant presented testimony and exhibits as follows:

a. On September 8, 2015, the Division issued Order No. R-14051 in Case No. 15356 approving formation of the West Lybrook Unit consisting of 12,807.24 acres, more or less, of Federal and Allotted Indian lands in San Juan County, New Mexico.

b. The West Lybrook Unit's Unitized Interval is currently defined as the top of the Mancos formation at a measured depth of 3,820 feet down to the stratigraphic equivalent at a depth of 5,071 feet as encountered in the log run on the Federal Davis Oil Company Chaco Well No. 6 (API No. 30-045-05082) located in Section 12, Township 23 North, Range 9 West, NMPM, San Juan County, New Mexico. See Order No. R-14051, at Ordering ¶ 4.

c. Order No. R-14051 also created a new pool for horizontal wells drilled within the West Lybrook Unit's Unitized Interval known as the West Lybrook Unit Mancos Pool. See Order No. R-14051, at Ordering ¶ 7.

d. Order No. R-14051 expressly provides that "The Division may expand or contract the horizontal boundaries of the West Lybrook Unit Mancos Pool if the boundaries of the Unit are altered." See Order No. R-14501, Ordering ¶ 10.

e. Separately, on November 30, 2015, the Division issued Order No. R-14084 in Case No. 15375 approving formation of the Kimbeto Wash Unit, consisting of 5,279.20 acres, more or less, of Federal and Indian Allotted lands in San Juan County, New Mexico.

f. The Kimbeto Wash Unit is contiguous with the western boundary of the West Lybrook Unit.

g. The Unitized Interval of the Kimbeto Wash Unit includes all oil and gas from the top of the Mancos formation at a measured depth of 2,873 feet down to the stratigraphic equivalent at a depth of 4,680 feet as encountered in the BCO, Inc. Federal E Well No. 1 (API 30-045-20949) located in Section 17, Township 22 North, Range 9 West, NMPM, San Juan County, New Mexico. See Order No. R-14084, Ordering ¶ 3.

h. Horizontal wells drilled within the Kimbeto Wash Unit are to be dedicated to the Basin Mancos Gas Pool. See Order No R-14084, ordering paragraph 4. However, Order No R-14084 expressly provides that if a new pool for Mancos development is formed that encompasses the Kimbeto Wash Unit, the Basin Mancos Gas pool will be contracted and the wells in the Kimbeto Was Unit shall be incorporated into the new Mancos pool.

i. Enduring is the successor-in-interest to WPX Energy Production, LLC and successor operator of the West Lybrook Unit under the terms of the West Lybrook Unit Agreement, and successor operator of the Kimbeto Wash Unit under the terms of the Kimbeto Wash Unit Agreement.

j. Thus, Enduring proposes to create the new Greater Lybrook Unit and combine the acreage of the Kimbeto Wash and West Lybrook Unit into this one unit. The Applicant proposes to limit the existing West Lybrook Unit and Kimbeto Wash Unit to existing wells drilled as of October 1, 2021. This will allow Enduring to develop and operate the acreage encompassing both existing units more efficiently and effectively.

k. The Greater Lybrook Unit exterior boundaries encompass both the West Lybook Unit and Kimbeto Wash Unit, which are two existing federal units.

l. Enduring proposes to freeze the existing West Lybrook Unit and Kimbeto Wash Unit to existing wells and production. The existing wells will remain in place and all wells drilled before October 21, 2021 will remain dedicated to each respective unit.

m. All existing and producing wells in the existing West Lybrook and Kimbeto Wash units will remain committed to their respective Units and Unit Agreements. All 35 vertical and horizontal wells drilled within the unit area prior to October 21, 2021 will be excluded from the Greater Lybrook Unit and a list of these wells was submitted as Exhibit D to the Unit Agreement. Enduring will continue to pay royalty for production on the same interests from the existing 35 wells in the West Lybrook and Kimbeto Wash units for as long as they

produce. All mineral interest owners in both existing units will receive an additional royalty payment from wells drilled in the Greater Lybrook Unit after October 1, 2021.

n. Horizontal and multi-lateral wells drilled within the Unit area after October 1, 2021 will be committed to the Greater Lybrook Unit.

o. The proposed Greater Lybrook Unit is comprised of sixty-four federal and Indian Allotment tracts. Eleven (11) tracts are federal, and fifty-three (53) tracts are Indian Allotment. Federal land consists of 9,607.35 acres or approximately 53.12 % of the Unit. Indian Allotted land totals 8,479.09 acres or 46.88% of the Unit.

p. Enduring owns approximately 96.61 % of the working interest in the proposed Unit area and anticipates obtaining the voluntary agreement of the remaining interest owners.

q. Enduring anticipates that remaining working interest owners in each unit will ratify amendments to freeze the West Lybrook Unit and Kimbeto Wash unit agreements to apply only to existing wells and production, effective October 1, 2021

r. Since October 2021, Enduring has drilled five horizontal wells in the proposed Unit area and plans to drill future horizontal wells that will develop acreage across the proposed Unit area. Enduring presented a map which includes the five wells and a future plan of development. The five wells serve as the obligation wells for the proposed Greater Lybrook Unit.

s. The five Unit obligation wells are the W Lybrook Unit #724H (30-45-38261), the W Lybrook unit #756H (30-045-38262), the W Lybrook Unit #757H (30-045-38263), the W Lybrook #758 (30-045-38264) and the W Lybrook Unit 720H (30-045-38260). All wells were completed in the Lybrook Mancos W pool, with pool code 98157. C-102s were attached in the as Exhibit B4.

t. Initial geological development objectives are the Gallup and Mancos silt member of the Mancos Formation. No faults or other geologic impediments were observed that would hinder development of the proposed unit area. The targeted intervals are continuous across the unitized areas and can be more efficiently and effectively developed under a common unit development plan.

u. The Unitized interval will be defined as all oil and gas in the interval from the stratigraphic equivalent of the top of the Mancos Shale found at a measured depth of 3,933 feet beneath the surface down to the stratigraphic equivalent of a depth of 5,226 feet as encountered in the WPX Energy Nageezi Federal #1 well in Section 19, Township 23 North, Range 8W, N.M.P.M (API 30-045-26303). The proposed Unit interval for the Greater Lybrook Unit matches the unitized interval for the existing West Lybrook Unit, but uses a new type log because it has better modern high quality triple combination log

as compared to the 1957 electric type log (the Federal Davis Oil Company Chaco Well No. 6 (API No. 30-045-05082) mentioned above) originally used for the West Lybrook Unit.

v. The Greater Lybrook Unit plan of development includes approximately 8 pads and 40 laterals. Surface impacts from unitization will be reduced by about 33% and resulting longer lateral lengths of approximately 10,000 feet. This economy of scale results in a one-third reduction in the number of laterals thus minimizing all elements of environmental impacts. Longer laterals are generally more efficient and expected to produce more oil. Twenty of the laterals will be drilled across the former boundary of the West Lybrook and Kimbeto Wash Units. By eliminating the need for setbacks an additional 800 feet of wellbore per lateral will allow for the recovery of an additional 60 barrels of oil per foot over the projected 25-year life of the new wells.

w. The Greater Lybrook Unit acreage is located within two pools: the Basin Mancos Gas Pool (Pool code 97232) which covers the Kimbeto Wash Unit, and the West Lybrook; Mancos Pool (Pool Code 98157) which covers acreage in the West Lybrook Unit area. To avoid having multiple pools the Applicant requests the Division contract the Basin Mancos Gas Pool outside of the exterior boundaries the Kimbeto Wash Unit and expand the West Lybrook Unit Mancos Pool to include the Kimbeto Wash Unit and thus all of the proposed Greater Lybrook Unit.

x. By the first day of the next month after the Unit is approved, Enduring is required to re-assign all Kimbeto Wash Unit wells to the West Lybrook Mancos pool, using the C-103 and C-102 forms.

y. Enduring has met with the Bureau of Land Management regarding the proposed unitized area and the Unit Agreement and presented a copy of a preliminary approval letter from the BLM. This letter contains several requirements and obligations for final approval from the agency that will be met by the Applicant.

z. A copy of the proposed Greater Lybrook Unit Agreement was presented as Exhibit 1. Applicant presented the proposed Unit Agreement ("Unit Agreement"), which is Exhibit A-1. The voluntary Unit Agreement designates the Applicant as the Unit Operator and has provisions for expansion or contraction of the Unit.

(6) Notice of this application was provided to the Bureau of Land Management, the Federal Indian Minerals Office and Indian Allottees.

(7) No other party appeared at the hearing or otherwise opposed this application.

(8) All proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the Applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(9) The approval of the Unit will serve to prevent waste and protect correlative rights within the lands assigned to the Unit Area.

IT IS THEREFORE ORDERED THAT:

(1) OCD recommends approval of the Greater Lybrook Unit comprised of federal and Indian Allotment lands in San Juan County, New Mexico.

(2) The Unit Area comprises 18,086.44 acres situated in San Juan County, New Mexico and described above.

(3) This Order will expand the West Lybrook; Mancos Pool to include the proposed Greater Lybrook Unit and Kimbeto Wash unit areas.

(4) This Order will contract the Basin Mancos Gas Pool outside the proposed Greater Lybrook Unit and Kimbeto Wash Unit areas.

(5) Order R-14051 will be amended to freeze the existing West Lybrook Unit, effective October 1, 2021.

(6) Order R-14084 will be amended to freeze the existing Kimbeto Wash unit, effective October 1, 2021.

(7) This Order shall become effective upon the signature of all parties to the Unit Agreement.

(8) OCD recognizes that Enduring Resources, Inc. (OGRID No 372286) is designated the Unit Operator under the proposed Unit Agreement.

(9) Upon the approval of the Unit Agreement and filing of the Unit Agreement with the OCD, the Unit Area will be recognized by the OCD as a "unitized area" as provided in 19.15.16 NMAC.

(10) By the first day of the next month after the Unit is approved, Enduring is required to re-assign all Kimbeto Wash Unit wells to the West Lybrook Mancos pool, using the C-103 and C-102 forms.

(11) The Unit Operator will ensure that the names of the Unit wells are uniform and include the name of the Unit.

(12) The plan contained in the Unit Agreement for the development and operation of the above-described Unit Area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the Unit Agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the OCD to supervise and control operations for the unit and production of oil and gas therefrom.

(13) The Unit Operator shall file with the OCD the fully executed Unit Agreement within 30 days of the effective date of the Unit Agreement. In the event of (a) subsequent joinder by any other party, (b) expansion or contraction of the Unit Area, (c) change of Unit Operator, or (d) termination of the Unit or Unit Agreement, the Unit Operator shall file with OCD, within 30 days after approval or notification of BLM, the amended Unit Agreement or other documentation reflecting the changes.

(14) All filings required by this Order shall be submitted to the OCD Engineering Bureau (OCD.Engineer@state.nm.us). OCD may notify the Unit Operator of any changes to the filing process without need to amend this Order.

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



Adrienne Sandoval
Director

Date: 4/04/2022